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EDITORIAL

As We See It

It is astounding how greatly to some minds circumstances alter cases — alter not only cases but basic principles of economics and of life. One does not need a very long memory to recall how only a short time ago the very policies and practices now being brought forward and defended as remedies or cures for depression were being excoriated as responsible for underlying economic conditions certain sooner or later to exact a heavy toll from us all. The individuals now doing the promoting are not quite always the ones who formerly did the condemning, of course, but more than a few are to be found in both groups, and almost none of those who so rightly complained a while ago is today raising a voice in opposition to what is going on or being planned.

It is amusing, or would be if the matter were not so serious, to look back to a period less than a year ago when the powers that be in Washington and many of their supporters were making much of the newly established "independence" of the Federal Reserve System. It was never wholly clear what was meant by such terms as these, but certainly it was all a tale of little meaning if it did not imply a determination on the part of the Federal Reserve authorities not to use governments to reduce the money market to the ridiculous. It was precisely the opposite of such a policy that had been in vogue for practically all of the Roosevelt and Truman regimes. All this was to be changed with the inauguration of a Republican Administration at Washington.

But has there been any such change? For a period of a few months it appeared that there

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Where Do We Stand Today?

By S. B. LURIE*

Economic and Industrial Analyst
Paine, Webber, Jackson & Curtis
Members, New York Stock Exchange

Mr. Lurie, in pointing out we are in a transition period and a return to normalcy, stresses the presence of inbuilt cushions and stabilizers which will prevent a major depression. Says recession is relatively painless and that we are in a new era. Predicts by 1955 the present transition period will be completed and contends change will have no direct bearing on stock prices. Looks for "tremendous burst of excitement" in next few years.

These are the "Fabulous Fifties." To industry, this means a new and higher level of demand on which it can capitalize. To you who own securities, it means a stock market with a "3-D Look"—a New Look—one where the game is the same, but the rules are different. To those who are starting new businesses—or buying securities for the first time—it means there are great rewards for those willing to take a calculated risk. To all of us—as Americans—it means a big, dynamic force that hasn't spent itself — which permits seemingly contradictory opinions.

Sidney B. Lurie

I refer here to the economists who late in December said our nation is in the throes of an "orthodox recession"—and to Herbert Hoover, who recently said "the combustibles" for another Great Depression are not present. The fact that the nation's leading economists and our ex-President both can be right is small comfort to the roughly three and one-half million unemployed. But the unemployed—and all of us in this room—have a vested interest in the accuracy of the predictions. In

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*An address by Mr. Lurie before the Federation of Women Shareholders, New York City, March 15, 1954.

Using Take-Home Yields As Investment Criteria

By PETER L. BERNSTEIN
Vice-President, Bernstein-Macaulay, Inc.

New study of the long-term relationship between dividends after taxes and yields on tax-exempt bonds indicates, says Mr. Bernstein, that recently stocks have been historically high compared to tax-exempt bonds, or that a new relationship may be in the making. This approach, while not a complete forecasting tool, termed a valuable basis for the formation of investment judgments.

All investment decisions involve a selection of risks. No intelligent investor goes ahead and buys common stocks without first stopping to consider whether he might be better off, for example, with bonds or real estate or cash. Only after comparing the relative risks and the yields on the competing outlets for his investment funds will he decide how to allocate his resources in the safest and most profitable manner.

Peter L. Bernstein

This never-ending process of selection and comparison assures the close mutual interdependence of the markets for all the different forms of investment. Therefore, any single outlet for investment funds, such as the market for common stocks or the market for corporate bonds, is "high" or "low" in price only in relation to the rate of return it provides and the risks it involves compared with the yields and the risks on all other classes of securities. In the light of this fundamental fact of the financial world, the analysis of the yield relationships between stocks and bonds is a strategic step in investment management. Too often, however, this analysis disregards basic shifts in investor attitudes, gives too little consideration to the effect of income taxes, and, most dangerous of all, is used to make forecasts of stock market action. It is a means of measuring investor attitudes, but it cannot be used

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ON THE INSIDE—A glance at the index on page 3 vividly shows the wealth of information of vital importance to the securities industry, investors and businessmen which is available in the Thursday "Chronicle" every week throughout the year.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

W. F. KURTZ

W. F. Kurtz & Co., Cleveland, Ohio

The First National Bank of Akron, Ohio

Two years ago when The First National Bank of Akron was the subject of a similar article, the main points developed were the excellent rewards received by the shareholders through dividends, growth, security, and low cost in relationship to actual value.


W. F. Kurtz

This article therefore, will be a brief summary of the background up to Dec. 31, 1951 and an accounting of the accomplishments from then for the period through Dec. 31, 1953.

This bank was established in 1934 as a state bank with the name The First Central Trust Company. The charter was a revision of the charter of a bank with the same name which had been a leading institution in Akron up to the "Great Depression." In 1934 all the capital stock and $500,000 of capital debentures were owned by the Ohio Superintendent of Banks in connection with the liquidation of the old bank. Later the capital stock was marketed and in 1946 the debentures were paid off.

The new bank rapidly regained its old leading position and the growth has been outstanding as is shown by the accompanying table.

In 1947 the bank, which was then operating as The First Central Trust Company, was converted into a national bank under the present name of The First National Bank of Akron.

In April, 1944, the bank issued 35,000 shares of additional stock which were sold to shareholders at $10 per share. The proceeds of the stock sale were used to purchase the equity in the bank's main office building. The building at that time was subject to a $1,000,000 mortgage which, however, was not a liability of the bank and which has since been paid off. The remaining capital debentures were retired Dec. 27, 1946. In 1947 a stock dividend of three shares for each 37 held was paid to the shareholders and in 1951 the par value of the shares was changed from $5 to $10 and a 25% stock dividend was paid to the shareholders. At the same time they were given rights to buy 100,000 shares at $20 per share, the rights being on the basis of one new share for each two of the old held.

Dividends on the capital stock were initiated in 1939 at the rate of 40 cents per share per annum which rate was continued through 1947. In 1948 the total payment was 50 cents a share and the rate from 1949 on has been $1 per share per annum, payable 25 cents quarterly. At the current market around 24 the yield is about 4.15%.

The growth factor is well shown by the following table.

Date	Deposits	Capital Debentures	Capital Stock	Surp., Undiv. Profs. & Resvs.
1-15-34	$7,331,353	$500,000	$741,645	$558,257
12-31-35	17,731,170	500,000	741,645	691,122
12-31-38	24,880,627	500,000	750,000	1,139,380
12-31-41	40,852,262	300,000	750,000	1,583,869
12-31-44	109,218,728	300,000	925,000	2,541,055
12-31-47	113,993,140	----	1,000,000	3,909,463
12-31-50	141,858,482	----	1,000,000	5,532,199
12-31-51	159,074,429	----	3,500,000	5,507,050
12-31-53	178,492,358	----	3,500,000	6,753,346

In addition in July, 1951, this bank was 12th in size in the State of Ohio and 135th in the nation. On Dec. 31, 1953 it was 10th in Ohio and 128th in the nation, and this was entirely through natural growth and not through merger.

Book value (exclusive of reserves) $13.85 in 1941 vs. $23.63 in 1951 and $27.15 in 1953.

Net earnings per share after taxes but before transfers to reserves: $1.60 in 1941 and $2.32 in 1951 and $2.75 in 1953.

Liquidity — cash and governments $115,000,000 vs. deposits of $178,500,000 or 64%.

Two years ago the average life of the government bond account was 1 year 9 months and 10 days to maturity and 11 months 24 days to call date—which was about as perfect as could be desired at that time. Starting last summer after the violent decline in governments had ended, a lengthening program was started so that at this time the bonds are 3 years 5 months 9 days to maturity and 3 years 12 days to call date.

In the last two years four branches have been added to the three they already had and the Akron area is now so well covered that little further expansion on that line will be necessary. In addition to the new branches established, the management found the opportunity of renting to others some additional space in the main office building by transfering the bookkeeping department to a low rent area near the main office. They rented 15,000 square feet on a long term lease at 32 cents a square foot and made available main office space greatly needed for other banking purposes at very little additional net cost.

Furniture and fixtures continue to be carried at $1 and there seems to be no reason to revise downward the previous estimate of an actual value of $750,000 in that item.

The bank's premises account on Dec. 31, 1951 was $1,207,083.07 and on Dec. 31, 1953 was $1,763,566.25. In that period the four branches and the new bookkeeping quarters were opened and represent the increase in the bank premises account. The 28 story modern main office building in the heart of the Akron business district continues to represent a tremendous hidden asset which I estimate to be at least $10 a share.

To summarize—you pay about $24 a share and you get book value of $27.15; evaluation reserve $2.10; furniture and fixtures estimated $2 and estimated excess value in bank premises of $10 or a total of $41.25 a share. So you still buy dollar bills at 60 cents and what could be sweeter?

This Week's Forum Participants and Their Selections

GEORGE R. PAYNE

Partner, T. L. Watson & Co.
Members, New York Stock Exchange, American Stock Exchange and Commodity Exchange, New York City

Gulf Oil Corporation

I consider Gulf Oil stock around 50 a most attractive investment for reasonable income return with the possibility of long-term capital appreciation.


George R. Payne

Through faith, courage and perseverance, the Mellons, who were practically forced into the oil business, trying to protect the monies loaned to a small producing company in Texas in 1901, soon learned that an oil company, to succeed, needed untold capital and could not depend on the production of oil from any one field nor area. Further, as new production was brought in, the question of transportation became important; then the location of refineries and marketing.

To meet these growing problems, the Mellons surrounded themselves with capable men who were experienced in various occupations essential to a growing oil company.

I shall attempt to give briefly the historical background of the Gulf Oil Corporation to substantiate my opinion that the stock has merit and growth possibilities.

History: In 1901, the banking house of T. Mellon & Sons loaned $300,000 to three men, who desired to drill an oil well near Beaumont, Texas. The well came in a "gusher" flowing at 100,000 barrels a day, and the famous "Spindletop" Field was established.

The men, operating as a partnership, J. M. Guffy & Company, soon found they needed more money. So the Mellons organized the J. M. Guffy Petroleum Company, with a capitalization of $15,000,000, consisting of 150,000 shares, $100 par, and the Corporation took over the partnership of J. M. Guffy & Company. The Mellon brothers bought 20,000 shares and six men in Pittsburgh bought 30,000 shares.

The next move was to form the Gulf Refining of Texas with a capital of $750,000, consisting of 150,000 shares, par $5. This was done to refine and market oil products.

In a short time, within an area of 200 miles, new oil fields were opened, which brought new problems, especially in transportation. So the Gulf Pipeline of Texas was formed. The Texas Wells did not hold up. The flow of oil fell rapidly, so field operations were carried on in the Indian territory, now Oklahoma. It was not easy sailing. The problems were mounting, especially the raising of money and getting capable men.

After six years of hard work, it was decided to merge all corporations into one, so the Gulf Oil

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LETTER TO THE EDITOR:

The Wrong Road to Redeemable Currency

Commenting on a series of articles by Henry Hazlitt in "Newsweek," Walter E. Spahr, Executive Vice-President of the Economists' National Committee on Monetary Policy, opposes rise in statutory price of gold and method proposed of establishing a free gold market.

Editor, Commercial and Financial Chronicle:

In a series of articles in recent issues of *Newsweek* on how the United States should return to a gold standard, Henry Hazlitt has advanced contentions to the effect that the proposals of those who recommend that the United States go directly from its restricted international gold bullion standard to a full gold standard at the present statutory rate of $35 per fine ounce are not sound.

Walter E. Spahr

Since this is an issue of major importance to the people of the United States, it seems reasonable to suppose that the readers of the *Chronicle* may have more than casual interest in the Hazlitt contentions and in an analysis of their implications and validity.

He recommends that after the United States government has announced its intention to return to a full gold standard certain preliminary steps be taken which would involve plunging the United States into a thorough-going system of irredeemable currency. This proposal would destroy the fixity of our standard gold dollar and demonetize gold. He recommends establishment of a "free" market for gold (which would not really be a free gold market in the proper sense of the term) to determine, in some manner not clearly outlined, the proper dollar price for gold and the proper ratio between the dollar value of our gold stock as it would be repriced and our non-gold money and bank deposits—all of which points toward another devaluation of our dollar. Then he recommends return to a gold-coin standard through some intermediate steps involving a partial, then a full, gold bullion standard.

Had the Hazlitt proposals been clearly and correctly labeled for the benefit of the general reader, they would have borne the following in headings: Hazlitt opposes resumption of gold redemption at the present statutory rate of $35 per fine ounce. He recommends that the United States adopt as a prelude to resumption a thorough-going system of irredeemable currency. He recommends a so-called "free" gold market which is not a free gold market. He recommends *steps which point toward another devaluation of our dollar.*

Basically, the Hazlitt proposals are those which have been advocated in recent years by many of the so-called gold-mine interests—a complete system of irredeemable currency, a so-called "free" gold market, another devaluation of our dollar.

In his article, "What Price for Gold?" *Newsweek* (January 18, 1954), he says that those who recommend institution of a redeemable currency at $35 per fine ounce of gold rest their arguments on "debatable assumptions" and "real error." One of their debatable assumptions, he says, arises from the fact that although the present ratio of gold to time and demand bank deposits plus currency outside of banks "seems to support them" if "some superficial comparisons" are made, the fact, in his opinion, is that the present ratio is too low to permit safe resumption of redemption at the present statutory rate of $35 per fine ounce of gold. He compares what he computed to be the present ratio (at the time of his writing) of 10.7% with 9.4% "at the beginning of 1933." He says that then "we had the choice of going off gold, which we did, or suffering still further deflation" and that "the gold reserves were not in fact sufficient, in relation to other conditions, to maintain confidence." For these reasons, among others he mentions, he concludes in substance that the comparison of the present ratio of our gold stock to non-gold money and bank deposits with past ratios is a superficial and debatable procedure.

Important facts not dealt with by Mr. Hazlitt are these: By January and February, 1933, it was widely suspected or known — at least in the circles that counted most—that the new Administration was planning to suspend redemption and devalue the dollar. That state of affairs could plunge any nation into a suspension of redemption regardless of any ratio of gold to non-gold money and deposits it could reasonably be expected to have.

But the considerations are very different when a government is not planning or proposing to suspend redemption and to devalue its standard gold unit. For example, from 1915-1932, inclusive, the range of our yearly average ratios of our gold stock to non-gold money and deposits, including Federal Reserve bank deposits (a method of calculation giving ratios below those yielded by the type of calculation used by Mr. Hazlitt), was from 6.7 to 10.9% with an average of 8.6%. The present ratio so calculated is 9.9% (as of October 28-31, 1953). Mr. Hazlitt did not deal with these

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*No column this week.

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Larger Canadian Industrials Show Metals, Whiskey and Oils at Top

By HAROLD J. KING, Ph.D.

Farm machinery, tobacco, chemicals, newsprint, and auto production also rank high in northern neighbor's current industrial picture.

Identification of the larger Canadian industrials may interest the U. S. investor casting his eyes northward for the first time. And the "oldtimer" may wish to clarify a few details in his mind on this subject. Legend has it that during the Roaring '20s many endeavoring to take a flier in aviation zestfully bought into Seaboard Air Line — a railroad. Sans identification, a similar rush to Canada Dry could happen in the instant case. Born in Canada, about 1906, this particular ginger ale crossed into the States around 1922, and was subjected to Delaware incorporation in 1925. However, some of it is still made in Canada, and from two Canadian industrial giants comes a good deal of the "hard" stuff with which it is often "spiked." Possibly some of the "hardness" stems from the predominance of metals (aluminum, nickel, steel, and the precious ones) at the top of the current Canadian industrial picture.


Harold J. King

Classification of industrial corporations according to size is complicated by lack of agreement on the best criterion of same, and variance in the dates of available statements. As to the first, total assets will suffice for the purpose at hand. We will endeavor to arrange the largest 24 Canadian industrials according to size as indicated by the latest balance sheet totals available. Statements for Dec. 31, 1952, or thereabouts, shall prevail for the residue of the list. Asset totals indicated in Canadian dollars, except for Seagrams, International Nickel, and Hiram Walker, whose statements show U. S. dollars.

THE TOP SIX

Aluminium, Ltd.
($684 million, June 30, 1953)

Strictly a holding company, incorporated in 1928, this concern represents a worldwide empire. Its subsidiaries engage in the mining and transportation of aluminum ore, smelting, and other activities (including power) necessary to aluminum fabrication. Funded debt amounts to almost half the assets. There is no preferred. Cash dividends have been paid on common (listed NYSE, Toronto, Montreal, Vancouver, and San Francisco) each year since 1939. (Earlier record not immediately available.) The $2.00, 1953, dividend represents an approximate yield of 3.8% at current prices.

Distillers Corporation-Seagrams, Ltd.
($458 million, July 31, 1953)

This company we find in second place position. Numerologists with a penchant for 7, and 83, may ask what has become of 5 crown. But it is most unlikely that they have never heard of the products—so widely advertised — of this company. One of the leading liquor producers of Canada and the U. S., corporation "functions" as a holding company. Its subsidiaries operate 19 distilleries (four in Canada, 15 in U. S.). With funded debt equal to one-sixth of the assets, there is no preferred. Consecutive cash dividend record dates from 1937. Stock listed on NYSE, Toronto, and Montreal. The $1.70 paid in 1953 means a present yield of about 5.7%. Corporation was formed in 1928.

International Nickel Co. of Canada, Ltd.
($425 million, Sept. 30, 1953)

In show position, International Nickel, incorporated in 1916, is both a holding and an operating company. The mines of the company and its subsidiaries are concentrated in Ontario. Smelted in Canada, nickel, platinum and copper are also refined there. Corporation also refines the first two of these in Great Britain. Metals are sold as such, but are also used within the company organization in the manufacture of mill and foundry products at plants in Great Britain, West Virginia and New Jersey. Gold and silver also produced. Products marketed widely over the globe. No funded debt; $27.6 million in 7% preferred is outstanding. Cash paid on common (listed NYSE, London, Montreal, Toronto, Brussels and Edinburgh — unlisted trading, Boston, Midwest and Detroit) consistently since 1934. $2.35 common dividend for 1953 indicates 6.3% yield.

British American Oil Co., Ltd.
($194 million, Dec. 31, 1952)

Fourth spot goes to this company. Whereas U. S. oil corporations, such as Gulf, Texas and Continental, have heavy Canadian interests, British American presents a situation in reverse. Through a wholly-owned subsidiary, it controls producing properties in more than a dozen Southern and Western States of the U. S. As to its home grounds, the company has producing wells in the Turner Valley, Leduc, Redwater, Peace River and other pools. Its refineries have a total capacity of 84,950 barrels of crude oil per day. In 1952, the company sold 25.6 million barrels of refined oil. Funded debt, almost one-quarter of the assets. No preferred. Incorporation date, 1909. Cash dividends without a miss from the start. Sixty cents paid in 1953; current yield about 2.7%. Listed Toronto, Montreal and Vancouver. Unlisted trading on American Stock Exchange.

Hiram Walker-Gooderham & Worts, Ltd.
($192 million, Aug. 31, 1953)

"Just tell the man you want Imperial." Although a Canadian corporation, the subsidiaries of this holding company are most active in an Illinois hamlet of some repute—Peoria. Also understandable, geographically, is its interest in Scotland — warehouse capacity there, 3,200,000 imperial proof gallons. The Argentine, too, is in the Hiram Walker picture. $2.8 million in 4% debenture stock. No preferred. Incorporation date 1926. Cash dividends continuously from 1936. Listed NYSE, Toronto and Montreal. Unlisted trading Detroit S. E. $3.75 paid in '53 (yield about 6.6%).

Consolidated Mining & Smelting Co. of Canada, Ltd.
($183 million, Dec. 31, 1952)

Incorporated 1906. Canadian Pacific Railway owns 51% of the outstanding issue (no preferred out—no funded debt). Company, its subsidiaries and affiliates, engaged in the mining, milling, smelting, and refining of gold, silver, lead, zinc, and tin, primarily in the Dominion. Also, one of the largest North American producers of chemical fertilizer. No funded debt, or preferred. Continuous cash dividends from 1934. $1.35 in 1953 (current yield, 6.1%). Montreal, Toronto, and Vancouver listing. Unlisted trading on American Stock Exchange.

THE SECOND SIX*

Massey-Harris-Ferguson, Ltd.
($179 million, Oct. 31, 1953)

Prior to merger (September, '53) of Harry G. Ferguson companies, corporation name was Massey-Harris Co., Ltd. Established 1847, incorporated 1891. Complete line of farm machinery. Branches on four continents. Funded debt $48 million. No preferred.

Canadian Industries, Ltd.
($175 million, Dec. 31, 1953)

King of Canada's big league chemical industry. Incorporated 1910. Makes Cellophane, Fabrikoid chemicals, coated fabrics, nylon, paint and varnish, commercial explosives and ammunition. Twenty-three plants throughout Canada. $4.65 million in 7% preferred. No funded debt. Controlled by E. I. du Pont de Nemours & Co., and Imperial Chemical Industries, Ltd., each owning 42% of the common stock.

Divorce of these two has been decreed by U. S. Court, in July, 1952, which ordered them to end joint ownership of their Canadian and other foreign affiliates, because of alleged contravention of Sherman Act. Judgment followed U. S. Attorney General Tom Clark's anti-trust suit to break up the du Pont empire. Stockholders will meet on April 27 to consider proposed segregation plan, which would split value of assets equally between Canadian Industries (1954) Ltd. (which is to become the Canadian subsidiary of Britain's Imperial Chemical Industries, Ltd.), and du Pont Co. of Canada, Ltd., operating subsidiary of du Pont of Canada Securities, Ltd. Plan involves elaborate arrangement to protect minority, and preferred shareholders.

Steel Co. of Canada, Ltd.
($172 million, Dec. 31, 1952)

Incorporated 1910. Iron and steel and steel products. Plants at Montreal (2), Hamilton (3), Gananoque, Toronto, Brantford and La-

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* Although incorporated under Canadian laws, in 1928, Canadian Eagle Oil Co., Ltd., a trading concern with South American petroleum interests, owns no property in Canada. About one-third of company income goes to United Kingdom in taxes. Total assets on Dec. 31, 1952 amounted to £64 million ($180 million U. S.).

On Writing To Stockholders

By MERRYLE S. RUKEYSER
Economist, International News Service

Mr. Rukeyser, in commenting on managements' communications to stockholders, stresses the point that executives should include in their accounting to shareowners an expression of the effect of laws and political operating principles on the net income prospects of their enterprises, "in accents that the ordinary stockholder will understand."

The Chinese used to say that a picture is worth a thousand words. Sometimes the words which corporate executives use in communications with shareowners miss fire.


Merryle S. Rukeyser

Perhaps corporate management should use basic English rather than financial jargon, or the machinations of subtle lawyers and accountants. While the professional counsellors of timidity may be able to tell a business executive how to stay out of jail, they are not of much use in telling him how to elicit an order.

I, of course, refer to selling in the larger sense of inducing the other fellow to behave in the manner you wish.

With direct and indirect ownership of shares being more widely diffused through Stock Exchange sponsored monthly deposits, through instalment purchase of mutual funds, and through employee ownership schemes, this matter of communications from the management, who are trustees in effect for the owners, to the true investors, takes on increasing importance.

This issue is dramatized by a letter to this column from a woman investor, who holds a diversified portfolio worth about $100,000. She is not without experience in self-investing over a period of years. Yet she writes in to ask whether she should get rid of her holdings in a strong and well managed company because she was frightened by a letter from the president dealing with his position on tariff matters.

Apparently this executive made so vivid his concept of the adverse impact on his company of threatened implementation of the tariff reduction recommendations of the Randall Commission on Foreign Economic Policy that he frightened a stockholder.

It seems to me that the president of the company, in alerting shareowners to where their self-interest may lie in tariff matters, neglected to make clear that this problem was not peculiar to his company, but affected all enterprises operating under the American competitive system. This would have obviated this superficial assumption by one investor that she could escape from the risks of fallacious international economic policy simply by shifting her holdings from this company to almost any other enterprise at random.

This writer more than two decades ago urged executives to include in their accounting to shareowners an expression of the effect of laws and political operating principles on the net income prospects of their enterprises, but there must be some skill in talking in accents that the ordinary stockholder will understand. No heavy-handed propaganda should be overloaded with ammunition that may hit the wrong target.

There is another type of communications with stockholders in which the general run of business management is deficient.

This is in messages calculated to create an interest on the part of stockholders as consumers in the products of the company.

Superficial attempts in this direction have not been successful. But there are still great opportunities.

It seems to me that the solution lies in recognizing that the small stockholder lacks sufficient stake in a corporation to induce him to spend unwisely as a customer.

Accordingly, the guiding rule should be the yardstick laid down by the late Henry P. Davidson, Morgan partner, who once told me that sentiment counts in business only when one is confronted by two propositions of equal merit.

Thus where a company offers a product or service which the stockholder wants and needs at a competitive price, the chances of doing business are excellent.

Recently a Chicago housewife told me that since buying the shares of a packer, she has been insisting on meat products bearing the brand name of her company.

Certainly, where two airlines run the same equipment at the same fare on the same schedule between the same cities, there is an inducement for the traveler to patronize the line in which he is a stockholder.

To the extent that this identification of products and services with investment takes place, there will be a new appreciation of the philosophic basis of the modern corporation as a cooperative venture. When the stockholders also become customers, something akin to a consumers' cooperative comes into being—and, of course, this type of venture contributes to the cost of government through paying taxes, unlike the technical cooperative.

Frank Knowlton Adds

(Special to The Financial Chronicle)

OAKLAND, Calif. — Fred L. Carpenter and M. Eisenstadt have been added to the staff of Frank Knowlton & Co., Bank of America Building.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Total industrial output for the nation as a whole in the period ended on Wednesday of last week displayed no marked change from that of the previous week, but notwithstanding this, production continued to be down moderately from the near-record level attained the year before.

Industrial production in February rose mildly but was still considerably under year-ago levels, states the Federal Reserve Board. Its unadjusted index which measures the output of the nation's mines and factories stood at 125% of the 1947-49 average. This was one point, or a little less than 1%, above January volume, but 11 points, or about 8%, below February, 1953. The index figure for February was 10% under the record high of 138% reached last March.

New claims for unemployment insurance benefits fell 11% in the latest week, that ended Feb. 27, to the lowest level in more than three months, although total claims remained substantially higher than a year ago. The most marked year-to-year drop in employment, it was reported, was in the textile industry. For the month of February, jobless figures were the largest since 1950 and brought demands in some governmental quarters for Federal action to stem the tide of unemployment.

Business inventories on Jan. 31, the United States Department of Commerce reported, reached an estimated total of $80,000,000,000 compared with $76,500,000,000 a year earlier. Some companies reported they now have their inventories just about where they want them. Others noted, however, that their stocks were still rising.

Steel consumers who started shaving inventories last summer are now slashing them to the bone, reports "The Iron Age," national metalworking weekly, this week. Some who originally planned to reduce their steel stocks to a 50- or 60-day supply are now aiming at 30 days' inventory or less. Lower manufacturing schedules are in some cases prolonging the time required for consumers to work off excess stocks and re-enter the market, it states.

Almost everywhere consumers reflect the opinion that when they need the steel an abundant supply will be handy. So the expensive new capacity of the industry is temporarily acting to depress the market.

Mills, of course, are keeping their more efficient equipment operating, while they relegate marginal or high cost facilities to standby status. For this reason first quarter financial reports might be better than some people anticipate, continues this trade journal.

Producers generally agree that the order tally sheet for March is virtually completed without significant change and they are not at all sure the upturn they expect will come in April. Yet there is a lot of confidence that steel business will ultimately improve.

There's no doubt that the public is still in a buying mood, as evidenced by the continuing high level of retail sales, adds "The Iron Age," but an upturn in steel will have to wait for inventory adjustments to work their way through the industrial supply line.

Some steelmakers point to an increasing number of small orders as a sign that customers are getting inventories down to desired size. Tonnage involved is not enough to raise the operating rate, this trade magazine states, but it does indicate that some manufacturers are beginning to buy in close support of manufacturing operations.

Even in Detroit, where most of the market news has been disappointing recently, there is more than a glimmer of hope. Some auto companies that had requested April shipments held up a week are now concelling the deferments.

Warehouse business is bitterly competitive. Although most distributors say they haven't changed their base prices, concessions on freight, delivery, and extra charges are being made right and left. Warehouses, too, have large inventories and mills have felt a let-down in warehouse buying. About a fifth of mill shipments usually go to warehouse distributors for ultimate sale to the consumer, concludes this trade authority.

In the automotive industry the Big Three—Ford Motor Co., General Motors Corp. and Chrysler Corp.—were scheduled to take 97% of last week's car manufacture, according to "Ward's Automotive Reports."

"Ward's" counted 111,179 cars and 21,578 trucks, compared to 108,804 and 20,805 a week ago, adding that Chrysler Corp. car production spurted almost 21% ahead of the previous week as

Continued on page 37

Toes Stubbed on East-West Trade

By A. WILFRED MAY

Mr. May reports actual results under recent trade agreements extremely disappointing, with drastic deficiency of Eastern exports. Cites Russia's surprising current debits toward Greece, necessitating a "stand-still" invocation. Lists reasons revealed for these abortive results, constituting a material omission in conciliatory exhortations by Sir Winston Churchill.

ATHENS, GREECE—Climaxing persistent and inescapable disillusionment over the heralded prospects for East-West trade, in this and other countries, is this week's action of the Greek Minister of Commerce in abrogating the licensing of further Greek exports to the Soviet Union. He was constrained to take this action under the terms of the recently enacted Greek-Soviet trade agreement, which provides that exports from either side would be discontinued if the credit balance should exceed a certain agreed on limit. In this Greek-Russian agreement, signed July 28, 1953, such "swing balance" was set at $1 million. The present balance in favor of Greece, causing this step was $1,069,000 as of the end of February.

A. Wilfred May

While the amounts involved are small, the incident is most important, coming only seven months after the signing of the agreement; and with so much fanfare developed over the potentialities of new East-West trade agreements, and of the Soviet's conscientious intentions. It is in line with East Germany's persistent deficiency. And it is directly relevant to the material omission in Sir Winston Churchill's recent pronouncement, namely his failure even to mention the great *difficulties* in the way of such possibly desirous trade—and, instead, implying a spanking of his Western friends.

Moscow's Negligible Shipments

Instead of a credit balance favoring the strong and rich Soviet, under the latter's presumed eagerness to do business, she shipped only about $300,000 on her side of the bargain. In actual practice, despite the tempting talk by the Molotovs and International Conference Nesterovs, Moscow did not deem it worthwhile to send the tiny sum of $200,000 in some form of remittance (could have been gold) to forestall her debtor's extension. Russia has actually abetted a drachma *gap*—an apparent foreign exchange shortage of a weak confetti currency.

The concurrent record of the Soviet bloc satellites' actual trading since the initiation of the respective new trade agreements, likewise must stir up doubt about the Kremlin's real desire to do business. It is in line with revelations of abortive efforts just gleaned in Germany and Switzerland. Ost Ausschus der Deutschen Wirtschaft, the well-oiled association in Cologne to foster German trade with the East, has been relegated to a stand-by status since the ECE conference at Geneva last April because of the Russian participants' going incommunicado on it after all their fine talk. And in Switzerland, her effort for an appreciable amount of business has run into persistent over-pricing of usable exports.

Here are the various satellites' swing balances in favor of Greece as of Feb. 28, last:

	(Millions)	Debit Margin (Millions)
Poland	$580	$400
Hungary	294	250
Czechoslovakia	435	400

From East Germany and Bulgaria there has been no appreciable trade movement.

Equally as significant as this quantitative record have been the reasons, laboratory-wise, for this record of negative results—with the converse movement continuing Moscow's hankering for the unrequited export role she played on such a grand scale with Yugoslavia.

Reasons for the Negative Results

On-the-spot scrutiny here reveals the following reasons for the abortive results following the recent establishment of the trade agreements, from which so much was expected.

(1) The hoped-for customers' unfamiliarity with the products for sale, because of the long past severance of relations.

(2) Customer lack of knowledge about those with whom they are to trade; with all the difficulties encountered by private traders in dealing with rigid and inflexible state organizations.

(3) The risk involved in relying on the availability of spare parts and service in machinery from the Soviet Union. Greece now gets quick efficient service from other countries' agents and distributors.

(4) The Russians' stand against extension of credit. Other countries' foreign suppliers' current practice of extending time drafts up to 18 months, is unthinkable by the Russians. In their recent dickering with the Poles, the most the Russians would do was to take one-half cash with the placing of the order, with the balance to be covered by a sight draft.

(5) The absence of salesmen across the Iron Curtain.

(6) The higher-than-market pricing by the Russian bloc; as in the case of Polish coal, Hungarian hardware, etc. This has likewise operated importantly in Germany and Switzerland.

Again, conversely, the East's pricing practice sometimes goes off the track in dumping, as presently in their anti-Swedish match competition—all making for unpredictability bound up with autarchical bloc control.

(7) Questionability of performance, regarding both time and quality. (Even little timber has been forthcoming.)

Even More So Re Moscow

These factors become even more aggravated *vis-a-vis* trade with Moscow itself, because of the complete unfamiliarity with Russia's market, and her even greater inflexibility and rigidity. And even more so is their non-performance, following political motivation.

These actual results registered under the trade agreements, embodying typical factors, surely give additional important evidence that the paucity of East-West trade is not a "should we?" but a "can we?" question, which constituted a material omission by Churchill. In the coming months, it will be strictly up to the Russians to put up or shut up!

Leslie Securities Opens in New York

Announcement has been made of the formation of Leslie Securities Corporation, member of the National Association of Securities Dealers, Inc., to conduct a general securities business with offices at 52 Wall Street, New York. Harry B. Leslie is president of the new firm and Frederick M. Riekert is secretary and treasurer. Both were formerly with Bonner & Bonner, Inc., which has discontinued its retail securities business.

Merrill Lynch Offers Ingersoll-Rand Stock

Merrill Lynch, Pierce, Fenner & Beane and associates on March 17 announced that they now are making a secondary offering of 70,568 shares of Ingersoll-Rand Co. common stock (no par value) at $101.50 per share, net. The concession for dealers is $2 per share.

The offering has been approved by the New York Stock Exchange for participation by its members.

With Albert Theis Sons

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — James W. Riordan has become connected with Albert Theis & Sons, Inc., 314 North Fourth Street, members of the Midwest Stock Exchange. He was previously with Reinholdt & Gardner.

With Perry T. Blaine Co.

(Special to THE FINANCIAL CHRONICLE)

ASHTABULA, Ohio—Marvin E. Taano is now affiliated with Perry T. Blaine & Co., 4519 Main Ave.

Debt Takes No Holiday

By IRA U. COBLEIGH

Author of "Winning in Wall Street"

Containing some random comment on the magnitude of debt in our society, and a specific look at a few institutions specializing in personal loans.

It is an economic truism that nothing is certain but debt and taxes. While the American people today boast total personal savings of above $200 billion, the figures on the liability side of the balance are pretty kingsize too. We have a national debt of about $275 billion and there's considerable clamor to jog the legal limit up to $300 billion; this, mind you, coming from a political Administration dedicated to sound money. 60% of our motor cars are bought on installment, and total debt of this sort is, right now, in the neighborhood of $10 billion.

Ira U. Cobleigh

In 1952, approximately 58% of our families owned their own homes, but only a very small percentage held them "free and clear." In 1952 these title possessions to family castles (nonfarm) were given generous and indispensable aid by $58 billion of home mortgages in various stages of amortization.

Moving on a bit, we have a brand new all time high in a category called Consumer Credit, $29 billion. Now half of this is for time purchase of things like cars, TV's, refrigerators and home air conditioners, but over $4 billion is in strictly personal loans — where no specific purchase is involved. These loans are just what they say—people make 'em, 20% of the time, because of bad luck; an accident, surgery, the need for a new set of choppers, etc. About 35% of these personal notes are given a high sounding title—consolidation loans. You owe Aunt Min $25, the dentist $50, the garage $40, and you've got $70 left unpaid on the washing machine, so you borrow $250—consolidate that is! The other occasions for a personal loan would include everything from vacation and clothes to raising chinchillas. One family out of seven will make some sort of personal loan this year, the amount will average around $280 and the term of payment will be a year and a quarter unless renewed. More than half will renew the loan, so clients for this sort of credit get to be pretty steady.

Highly accurate figures are not available on the relative volume of personal loan business done, but a reasonable estimate might be $1.5 billion for commercial banks and $1.5 billion for personal loan companies, currently. The commercial banks were historically slow to enter this field. The first big commercial bank to establish a personal loan department was National City Bank of N. Y. in 1928; but now, all over the country, the banks are beating the bushes to get small loan accounts. Why only last week, a bank in Kansas, I believe, had eleven salesmen scouring the countryside. "Want to open an account? Loans anyone?" Credit, once the unique possession of the well-to-do, has now become a mass commodity.

6,100 Small-Loan Companies

Despite the nationwide drive of banks for this small-loan business, the personal loan companies, which did the pioneer work, are more than holding their own. There are 6,100 small-loan companies doing business in 36 states where they are privileged to make loans, from $300 in some states, to $5,000 in California. Interest rates are toughest on the little fellow. For a $100 loan, the interest might be from 2½% to 3½% a month; but above $300, you may pay as little as ½% per month. A while back some companies started to provide life insurance so that if the maker died, the loan would be automatically paid off. This seems to have caught on, quite generally, and while it adds a little to the cost of the loan, borrowers prefer it.

Another trend is toward more branches. The companies we'll look at in a moment are, by no means, static. Their loans have been increasing and a number of new cities have been selected for business entry. The small loan is definitely big business.

Household Finance Corp.

Household Finance Corp. is the acknowledged leader in the small loan business, and in the past five years it has projected its total loan figure from $376 million in 1949 to over $600 million for 1953. Household operates some 600 branches, 25% of them in Canada, where the business is expanding phenomenally.

Stockholders in Household Finance have been well treated, through the years. There was a 3 for 1 split in 1945, a 10% stock dividend in 1949, and another in March of 1953. Cash dividends have been paid for 27 years in a row, and the current trend of per share earnings ($3.80 in 1951, $4.16 in 1952, $4.60 in 1953) gives some assurance of increased disbursements in 1954 above the indicated $2.60 rate. By virtue of its corporate history, managerial excellence, intelligent expansion and its durable dividend record, H.F.C. merits investor confidence and its common shares at 51 are a sturdy value.

Beneficial Loan Corp.

Next in size in this field is Beneficial Loan Corp. with 800 offices doing business in 26 states and Canada. Capitalization here is $190.7 million in debt, 17,576 shares of $3.25 preferred (convertible into 2.92 shares of common through 5/31/56) and 3,915,736 common shares listed on N. Y. S. E. and now selling at 40 to yield 6% on current $2.40 dividend.

An interesting financial feature here is that, thanks to a dramatic drop in interest rates in the last eight months, Beneficial is now calling, on April 12, 1954, its $25 million issue of 4¼% debentures which were only offered last August. Refunding at current rates will save the company a tidy annual sum. This is one of the shortest lived long-term bond issues on record.

Another thing of interest about Beneficial is that it carries a reserve of 5% of receivables for doubtful items. This is most conservative, as 40-year experience in this trade has established the average percentage of "bad" notes at well below 2%, and less than ½% in good years.

Beneficial Loan dividend continuity goes back to 1929, and the shares today provide an attractive yield. Continued conversion of the preferred will result in some increase in the outstanding common.

American Investment Co.

American Investment Co. of Illinois, generally regarded as third in size in consumer loans, has just announced plans for 75 new offices in 1954. Last year, American made $232 million in loans to over 737,000 borrowers. American Investment common is listed N. Y. S. E. with a current dividend of $1.60 protected by increasing coverage.

Seaboard Finance Co.

Seaboard Finance Company, fourth in the loan parade, made quite dramatic progress in 1952, pushing up its receivables over 40% from $72 million to $103 million. For some time outstanding common shares have been increasing through conversion of five separate preferred stock issues outstanding since 1947. There is, in addition, a $5 million regular preferred issue brought out last year preceded by around $90 million of short and long term debt. In common with the other companies we've discussed, lower interest rates (in the money market) plus rising loan demands have been steadily advancing both gross and net. Seaboard common at 25¾ offers the most liberal yield in the list, on its current $1.80 dividend.

General Acceptance Corp.

Another company you might want to look at is General Acceptance Corporation. This company does business both in consumer loans and installment finance (motor cars). This latter section was rather sharply contracted in 1953, automobile notes purchased being down to $40,364,850 from $54 million in the preceding year. A 20% increase in personal loans, however, up to $32,335,115 was recorded last year. Moreover, **Stuyvesant Insurance Company**, a subsidiary, writes automobile insurance to go along with the motor loans; and last year Stuyvesant Life Insurance Company was formed for underwriting credit life insurance. On the 887,257 common shares a $1 dividend was paid last year against per share net of $1.11. Stock sells at 11 on American Stock Exchange. Despite the 1953 dip in auto loans, good management here, plus expanding personal loans and insurance business, are factors tending to strengthen the common as time goes on. Meanwhile, the high current dividend payout should prove of interest to shoppers for yield.

A quarter century ago, personal loans were regarded with disdain by the commercial banking fraternity and the small loan companies had not then had time enough to establish the amazingly recession-resistant nature of this sort of banking. Now the honesty of the average American in paying his debts, and the splendid earning and dividend record of the established consumer loan leaders are widely known, and the common shares afford excellent leverage. Renting out money in small amounts is perennially good business; and it's been good for stockholders too. Debt takes no holiday.

Joins A. E. Edwards

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Homer A. Heid has joined the staff of A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges. He was previously with Reinholdt & Gardner and Fusz-Schmelzle & Co.

With Baker Simonds Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — William E. Baubie has joined the staff of Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange.

With Anderson-Plank

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Donald P. Sundberg has become affiliated with Anderson-Plank-Arnao, 631 Marquette.

From Washington Ahead of the News

By CARLISLE BARGERON

To the man in the street, diplomacy is at once an art and almost an occult science. Although the diplomats largely shape his destiny, the average man has only a slight concept of what is diplomacy. I am not sure myself what diplomacy is. General MacArthur told this writer feelingly many years ago that the diplomats are responsible for wars, the military has to fight them.

Carlisle Bargeron

Anyway, in the capitals of the world they live in closely knit groups, gather daily among themselves for cocktails, gossip and intrigue; they get on each other's nerves and the wives exchange catty remarks. In an effort to keep down jealousies and hurt vanities there is a system of protocol for them. For example, the Ambassador longest in a capital is the ranking Ambassador, regardless of the size or importance of his country. He comes first at all state functions. In matters dealing with the corps as a whole, they have to be dealt with through him.

As I said earlier, I am not sure what diplomacy is. But I am fairly convinced that it is not what the Canadian Foreign Minister, Lester B. Pearson, practices. For several years he has been carrying a chip on his shoulder against the United States and repeatedly he has given expression to an apparently growing sentiment in Canada that we are too much of a bully towards our northern neighbor. There are a great many thinking Canadians, in fact, who consider him politically ambitious and trying to ride such a sentiment if not help develop it.

Mr. Pearson has been in Washington the past week in connection with the meeting of the Joint U. S.-Canadian Board on Trade and Economics. This is something that was created at the instance of President Eisenhower some time ago as a means of removing Canadian complaints that we are not doing right by them in the matter of trade.

Mr. Pearson's idea of starting off the meeting was to give the U. S. Government a lecture on the conduct of its foreign affairs. He gave his lecture from the unusually good sounding board of the National Press Club. Although he has a suave manner and there is a felicity about his speech, the spectacle of a foreign statesman criticising the policies of another government in its own capital was quite jarring. His criticism was leveled at Secretary of State Dulles for his recent "massive retaliation" speech. This country should consult with its allies, he said, in matters of this kind if it expected to retain the support of these allies.

Now any apprehensions Canada may have had about this speech could have easily been dealt with through conversations; understandings could have easily been reached. Mr. Pearson's alarm, real or fancied, is that some day our President may just order the dropping of the A or H-bombs without saying anything about it to anybody. From what we have been told about the devastating effects of these bombs it is difficult to see whether we would need the support of Canada or any other ally.

Actually, what Mr. Pearson did was to step into the realm of sheer American politics. Mr. Dulles' speech was aimed at the American political scene just as much as towards Soviet Russia. It doesn't represent any fundamental change in our military strategy. A war with Russia, or any major war, would involve a large dependence upon the bombs, on which the taxpayers have spent billions of dollars. Certainly they aren't being built for souvenirs.

Notwithstanding this clearly apparent fact, the country has been confronted with the demand of the military that on top of the billions spent for bombs there must be an increasing amount of money spent on ground troops, on every other component of the military. The Eisenhower Administration has been trying to get away from this. It feels that if so much additional money must be spent upon one phase of warfare, there should be some corners cut on other phases. For this it is being severely criticized in Congress by the adherents of each branch of the military. There has been considerable cartooning of the "New Look," with which the Administration's policy is labeled. By way of trying to sell its goods, the Administration itself took this label, although it now would prefer not to have done it. "New Look" is an exaggeration, too. There is really nothing drastic about the new strategic concept. It is more of a natural evolution. Mr. Pearson could have found this out by talking quietly with our government. But there have been occasions before when he has warned that Canada might not be able to go along with U. S. "leadership" in world affairs, if that is what it is. You wonder just where Canada would go.

Robert J. Riley With Loewi & Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Robert J. Riley has become associated with the Milwaukee Company, 207 East Michigan Street, members of the Midwest Stock Exchange. Mr. Riley was formerly in the trading department of Riley & Company.

Lee Higginson Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — John L. Reynolds has become affiliated with Lee Higginson Corporation, 231 South La Salle Street.

W. T. Riley, Jr. With The Marshall Company

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — William Thurman Riley, Jr. has become associated with the Marshall Company, 765 North Water Street. Mr. Riley was formerly an officer of Riley & Company.

Joins Greene & Ladd

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio — William R. Hilliard is now with Greene and Ladd, Third National Building, members of the New York Stock Exchange.

A Summary of the Present Economic Situation

By HAROLD B. DORSEY*
President, Argus Research Corporation

Mr. Dorsey lists favorable factors in present economic situation as: (1) assurance of large money supply; (2) Administration's friendly attitude toward business; (3) probable continuance of upward trend in consumer per capita expenditures; (4) population growth; and (5) stocks in past gave a higher price-earnings ratio and lower dividend-yield. Lists among unfavorable factors: (1) possibility of excess expansion of consumer purchases; (2) over-expansion of private borrowing; (3) rising fixed charges due to repayments on instalment debts; (4) curtailment of debt expansion; and (5) need for inventory adjustments. Looks for some slump in business.

A presentation of the economic picture within the brief space of 10 minutes permits nothing more than a tabulation of the major factors with a minimum of elaboration. I would also like to direct your attention very briefly to several other conditions that seem to require a more than superficial interpretation.

Harold B. Dorsey

Favorable Factors

(1) By far the most important factor in the favorable category is the large money supply and the assurance that this condition will continue. Especially is this element of importance in any consideration of the supply and demand equation for securities. There is every indication that the credit supply will be in excess of business and government needs. Liquid savings appear to be accumulating in the hands of individuals and institutions which are investment buyers. Insofar as other things are equal, the money supply factor assures low yields and high price/earnings ratios—perhaps the lowest yields and the highest price/earnings ratios that we have seen in some time. As I will point out later, however, other things are not likely to be equal for many types of securities.

(2) The Federal Administration's friendly attitude toward business clearly is a plus factor. Especially does this apply to the evident desire to encourage the investment of capital. There seem to be grounds for assurance that the unpredictable developments from that quarter will resolve on the favorable side—quite a sharp contrast to the conditions to which we have become accustomed over the past 20 years.

(3) As a result of a long period of prosperity, former luxuries have now come to be looked upon as necessities. Consequently, per capita expenditures for durable goods will probably continue to be somewhat higher than prewar levels.

(4) The population growth factor is favorable, implying a long-term need for more consumers' durables, schools, roads, sewers, etc. Technological advances should continue to be a favorable force in the long-term outlook.

(5) Stocks have frequently sold on a higher price/earnings ratio and a lower yield basis than they are at the moment.

Unfavorable Factors

As I see it, most of the unfavorable items come under one major question: How much expansion can the economy digest at one sitting? The answers, in my opinion, involve matters concerning the major business cycle, rather than the very long-term trend. Many investment managers have to differentiate between these two perspectives.

(1) After making an adjustment for the effects of price changes and for population growth, expenditures for consumers' and producers' durable goods have been running substantially higher than anything recorded in our business history, for a protracted period of seven years. Since this is statistically provable, we have to make up our minds whether the phenomenon represents a new era or whether it contains important elements of excess expansion.

(2) This unusually high rate of activity would not have been possible if it had not been for an unprecedented rate of non-government debt expansion.

(3) "Fixed charges" in the form of repayments on instalment debt and consumer expenditures for services, which include (in effect) the sharply increasing charges for interest and amortization of mortgages as well as rent and other necessitous types of services, have increased from about 14% of personal disposable income in 1947 to about 22%. This fact, together with the higher "operating expenses" for food and other necessitous items, indicates that the average individual has a high "break-even point." If disposable income cannot continue to rise as rapidly as the increase in fixed expenses, there tends to be a squeeze on the more sensitive supernumerary income which remains available for discretionary types of expenditures.

(4) However, if we are going to stop the rise in the individual's "fixed charges," we will have to stop the debt expansion. But that debt expansion has, in itself, been one of our more dynamic sources of purchasing power creation.

(5) The most recently available figures through January of this year show a continuation of the deterioration in the inventory-sales ratio of manufacturers of durable goods. This ratio suggests that an inventory adjustment in this important segment of the economy is needed, but it is difficult to accomplish in the face of the declining shipments and new orders that have been evident for the past six months. Yet, if activity is to return to anything approaching the higher levels of the first half of 1953, we have to remember that part of our activity then was caused by inventory accumulation, as well as sharp debt expansion and a higher level of military expenditures than we are likely to have in the foreseeable future.

Causes and Effects

Before weaving all of these pros and cons into a balanced perspective, I would like to direct your attention to several items which, in my opinion, require a closer inspection before we formulate our conclusions about the effects of these conditions.

First, I would like to bring up the matter of savings vs. debt. As a generality, we must realize that savings and debt are two sides of the same coin. The money you deposit in the savings bank is somebody else's mortgage. The money you invest in government bonds is the debt of the taxpayer. The money you deposit in a commercial bank is the debt of some borrower from the bank, or the debt of some corporation or government in the form of bonds. Consequently, savings and debt tend to rise and fall together.

However, it seems to me that the debt trend is the dynamic force. It is the decision of the borrower that activates spending in the economic stream.

Clearly, insofar as we look upon liquid savings as a potential supplement to purchasing power, we must ask ourselves where the actual money is coming from. Certainly it is not readily available in the vaults of the savings banks. Noticeable withdrawals would call for a liquidation of mortgages. There is not time to develop this particular subject further, but I do suggest that we should be careful how we jump to conclusions about savings as a dynamic force in the economy.

Another item that I think we should consider carefully is this matter of easy money as a stimulant to business activity. I think that there is a widespread conviction that easy money must necessarily create business activity and payrolls. It can be proven that sharp percentage increases in money supply in the 1930's were not successful in stimulating the activity of the important heavy, purchasing-power-creation, industries. A large money supply is helpful, but we also have to consider the degree to which it will be used. Here again, I am merely mentioning this matter as a thought-provoking subject for your consideration.

Along the same lines, we should carefully examine the practical effects of a probable increase in the size of the government's deficit. The tendency to envisage that phenomenon as inflationary deserves careful inspection. Inflation suggests higher prices. Higher prices for precisely which products; in which products will demand exceed supply? The detailed answers to these questions should have an important influence upon our investment selections.

Perspective

As I try to weave all of the foregoing factors into a workable perspective, I come to the following conclusions:

(1) Much of the activity that we have seen in the past seven years, and especially since Korea, has been abnormal and has been the result of an excessive speculation in producers' and consumers' durable goods. Clearly, part of our activity has been the process of building up the inventories of durable goods in the hands of consumers and facilities for production and distribution in the hands of business. Part of the activity has also been caused by a build-up of operating inventories, which now seem to be unreasonably high in the durable goods industries. Consequently, it seems to me that activity should settle down to a level that is more in line with current earning power and with the actual consumption of durable goods.

(2) Rather than look upon this business prospect as evidence of a depression, it seems to me that it is the investment analyst's job to figure the earning power that might be developed for individual companies with a somewhat lower level of activity than we have seen in recent years and probably with somewhat more competitive conditions. Such an analysis does not lead to a conclusion that all stocks should be liquidated.

(3) We must not ignore the fact that the large money supply tends to increase the demand for investments. Unlike most earlier periods of business adjustment, the money factor strongly suggests a firm market for good quality bonds and preferred stocks as well as good quality common stocks in characteristically stable industries. I would broaden the latter category to include stocks of companies which are in a favorable position because of special circumstances. My emphasis on the negative factors is caused by my conviction that many otherwise good investment records are going to be ruined because the investment portfolio includes some "lemons." As I diagnose the effects of economic conditions on individual industries and companies, I think that the basket of investment fruit that we have to choose from does include quite a few "lemons." But I suggest that we should not generalize so much in that direction that we pass up the available sound values.

*A talk by Mr. Dorsey before the New York Society of Security Analysts, New York City, March 9, 1954.

St. Paul Gets Boost From Shaughnessy Co.

ST. PAUL, Minn.—Shaughnessy & Co., First National Bank Building, is boosting the City of St. Paul with an attractive panoramic view of the river front on the back of the envelopes which the firm is using.

Leonard Mayrisch Joins Blair, Rollins Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Leonard Mayrisch, Jr. has become associated with Blair, Rollins & Co. Incorporated, 58 Sutter St. Mr. Mayrisch was formerly an officer of Hannaford & Talbot with which firm he was associated for a number of years.

Ray Borlini Opens

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Ray Borlini is engaging in a securities business from offices at 58 Sutter Street.

With Eastland, Douglass

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Earl S. Douglass, Jr. has been added to the staff of Eastland, Douglass & Co., Inc., 100 Bush Street.

Salomon Bros. Arrange Private Placements

Direct placement of $10,000,000 4¼% capital debentures due Jan. 1, 1967, and 125,000 shares of 4½% cumulative preferred stock, March 1954 series (par value $100 per share) of Associates Investment Co. has been negotiated by Salomon Bros. & Hutzler, it was announced on March 17.

Of the abovementioned preferred stock, 33,949 shares represent redesignated 4¼% preferred stock.

Provisions of the new preferred stock will permit the issuance of capital debentures which will have the status of junior subordinated notes.

Holders of the 97,000 shares of outstanding $100 par value 4¼% preferred stock were given the right to exchange their stock into either the new 4½% preferred or the new 4¼% debentures. Unexchanged 4¼% stock is to be retired at 101 and accrued dividends.

Kalman Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Logan R. Straw has been added to the staff of Kalman & Company, Inc., Endicott Building, members of the Midwest Stock Exchange.

Two With King Merritt

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Lee A Gannaway and Marion H. Johnson are now with King Merritt & Company, Inc.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Area Resources — Booklet on the Utah-Idaho-Wyoming-Colorado area—Utah Power & Light Co., Dept. K, P. O. Box 899, Salt Lake City 10, Utah.

Beneficiaries of EPT Elimination—List of several companies which sould benefit—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Dividend Increases—Selected list of candidates for possible increases — Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Graphic Stocks — March issue containing over 1001 charts showing monthly highs, lows, earnings, dividends, capitalizations, volume on virtually every active stock on New York and American Stock Exchanges for 12 years to March 1, 1954; includes up-to-date earnings reports and 14 new charts —single copy, $10; yearly (6 revised issues), $50—F. W. Stephens, 15 William Street, New York 5, N. Y.

How to Get Leads for Your Sales Force—25-page booklet on promotional work—$1.50 per copy—Mailograph Company, Inc., Mr. A. Kates, Pres., 39 Water Street, New York 4, N. Y.

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

Liquified Petroleum Gas Industry—Review—Nesbitt, Thomson and Company, Ltd., 355 St. James Street, West, Montreal, Que., Canada.

Morgan Stanley & Co. Summary of Financing 1935-1953—Morgan Stanley & Co., 2 Wall Street, New York 5, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Pulp Industry in Japan—Analysis in current issue of Nomura's Investors Beacon—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue are analyses of the **Electric Wire and Cable Industry and Spinning Industry** and discussions of **Investment Trusts in Japanese Economy** and current foreign trade.

* * * *

Aerovox Corp.—Analysis—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y. Also available is the March issue of the Amott-Baker **Real Estate Bond & Stock Averages.**

American Investment Company of Illinois—Detailed annual report — American Investment Company of Illinois, 1112 Ambassador Building, St. Louis 1, Mo.

American Marietta Company—Brochure—Wm. J. Mericka & Co., Inc., Union Commerce Building, Cleveland 14, Ohio.

American Radiator & Standard Sanitary Corp.—Report—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Bettinger Corporation—Analysis—Hecker & Co., Broad and Arch Streets, Philadelphia 7, Pa.

Chicago Corp.—Bulletin—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Christiana Securities Co.—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Consolidated Industries, Inc.—Memorandum—William A. Fuller & Co., 209 South La Salle Street, Chicago 4, Ill.

Dominion Bridge Company, Ltd.—Review—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, Man., Canada and Royal Bank Building, Toronto, Ont., Canada.

Frobisher Limited—Analysis—L. S. Jackson & Company, Ltd., 132 St. James Street, W., Montreal, Que., Canada.

Frobisher Ltd. — Memorandum — Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

General Precision Equipment—Bulletin—Gerstley, Sunstein & Co., 121 South Broad Street, Philadelphia 7, Pa.

Gulf Cities Gas Corporation—Analysis—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

Henderson, Ky. School Building Revenue Bonds—Circular—Stein Bros. & Boyce, Starks Building Arcade, Louisville 2, Ky.

Hoffman Radio Corporation—Analysis in the current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a list of 40 selected **Popular Priced Stocks.** Also available is a list of campanies in line to profit by the Excise Tax cuts.

Home Improvement Financing Corporation—Card Memorandum—George A. Searight, 115 Broadway, New York 6, N. Y.

Indianapolis Power & Light Co.—Memorandum—Josephthal & Co., 120 Broadway, New York 5, N. Y.

International Cellucotton Products Company—Analysis—Burnham and Company, 15 Broad Street, New York 5, N. Y.

Lane-Wells Company—1953 annual report—Lane-Wells Company, 5610 South Soto Street, Los Angeles 54, Calif.

Lehn & Fink Products Corp.—Memorandum—Public Relations Management Corp., 122 East 42nd Street, New York 17, N. Y.

P. Lorillard Company—Annual report (illustrated)—P. Lorillard Company, 119 West 40th Street, New York 18, N. Y.

Metal & Thermit Corporation—Bulletin—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Mexican Gulf Sulphur Co.—Memorandum—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is an analysis of **Bates Manufacturing Company** and of "International" shares.

Mitsubishi Shoji—Data in Current issue of "Weekly Stock Bulletin"—Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

National Distillers Products Corporation — Analysis — A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Northern States Power Company—Analysis—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Public Service Co. of New Hampshire—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

RKO Theatres Corporation — Analysis — Bruns, Nordeman & Co., 60 Beaver Street, New York 4, N. Y.

Riverside Cement Company—Analysis—Ask for report T-31—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Solar Aircraft Co.—Review—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Southern Pacific Company—Bulletin (No. 156)—Smith Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a bulletin (No. 157) on **Chicago, Milwaukee, St. Paul & Pacific.**

Standard Sulphur Co.—Analysis—F. L. Rossmann & Co., 120 Broadway, New York 5, N. Y.

Stylon Corporation — Report — McCoy & Willard, 30 Federal Street, Boston 10, Mass.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York, Inc., Bowling League standing as of March 11, 1954 is as follows:

Team:	Points
Manson (Capt.), Jacobs, Topol, Weissman, H. Frankel	25½
Donadio (Capt.), Craig, Gronick, Bies, Demaye	25
Serlen (Capt.), Rogers, Gold, Krumholz, Gersten	22½
Leone (Capt.), Bieman, Gannon, Tisch, Greenberg	20½
Bean (Capt.), Bass, Valentine, Eiger, Bradley	20
Burian (Capt.), Gavin, Clemence, Montanye, Whiting	18
Kaiser (Capt.), Hunt, Werkmeister, Swenson, Ghegan	17½
Growney (Capt.), Corby, Siegel, Voccolli, Lienhardt	17½
Krisam (Capt.), Pollack, Cohen, Smith, Strauss, Define	14
Klein (Capt.), Fredericks, Murphy, Weseman, Mewing	13
Meyer (Capt.), M. Meyer, Frankel, Wechsler, King	10½
Hunter (Capt.), Brown, Alexander, Farrell, Barker	6

200 Point Club

Julie Bean	235
John Demaye	203
Geo. Leone	202

5 Point Club

Hoy Meyer
Geo. Leone
Joe Donadio

With Siegler Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — V. Paul Timko is now associated with Edward N. Siegler & Co., Union Commerce Building, members of the Midwest Stock Exchange.

W. D. Gradison Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Ivan Fischer has become associated with W. D. Gradison & Co., Dixie Terminal Building, members of the New York and Cincinnati Stock Exchanges.

Too Much Talk About a Depression!

By ALAN W. BOWERS*

Senior Vice-President, Trenton Trust Co., Trenton, N. J.

After itemizing unfavorable developments in present economic situation, New Jersey banker calls attention to offsetting factors, among which are prospects of reduced taxes; a fairly stable price level; large holdings of liquid assets by consumers; free markets, and heavy spending by Federal, State and local governments. Sees further long-term developments that will maintain present high level of the national economy, and concludes we can make 1954 "a good year."

The headlines are screaming the words recession, depression, bust, slump, slide, adjustment and other terms in newspapers, on the television and radio. There are many conflicting views from one extreme to the other. As an illustration, Mr. Harlow H. Curtice, President of General Motors, states that General Motors bets $1 billion that there will be no slump. On the other hand, Colin Clark of Oxford University in England, recently stated that the United States was on the brink of a disaster.

I would like to point out that Mr. John J. McCloy, Chairman of the Board of the Chase National Bank, recently stated that there is too much talk about a depression and we should all work toward making it a good year, instead of talking about what kind of a year it will be.

So instead of attempting to forecast, let us all look at the facts and form our own conclusions as to our destination. In order to evaluate properly the present economic status and have a proper perspective, we must look at all factors—both favorable and unfavorable.

Unfavorable Items

Let us look at the unfavorable items:

(1) Shorter work week and elimination of overtime.

(2) Deficit of the U. S. Treasury for the fiscal year.

(3) Mounting debt of the U. S. Government and contingent liabilities.

(4) Extensive defense cuts.

(5) Decline in farm prices.

(6) Automobile over-production.

(7) Inventory accumulation, and decline in retail sales.

(8) Smaller increase in volume of consumer credit and liquidation of indebtedness.

(9) Rising unemployment.

(10) Steel output down to 70% of capacity.

(11) Reduction in new starts in home construction.

If there were no other offsetting factors, this would all present a very dismal outlook and perhaps Colin Clark would be right in his predictions.

The Other Side of the Picture

However, let us look at the other side of the picture:

(1) With the elimination of overtime and a shorter work week, employees will have more time for leisure and more time to spend their income with a higher standard of living.

(2) While the deficit is sizable, nevertheless, the original estimates have been reduced by some $3 to $4 billion, and the prospects look for a balanced budget by 1956.

(3) While we all admit that the U. S. debt is high, totaling approximately $275 billion, we must not lose sight of the total national income of our people, which totaled approximately $308 billion last year. It would be unthinkable to consider that all of this income would go for taxes toward paying the debt off. However, when we speak of large amounts of debt, we must consider other large amounts in comparison. Also, the $275 billion have not been dissipated, but are represented by huge dams, Federal buildings, roads, bridges, and natural resources.

(4) I think that we are all happy to see cuts in defense expenditures and if they were eliminated entirely, it would only represent 14% of our total production. However, we must spend for defense, and it appears that the amount 1954 will be approximately $60 billion, which may be more than was spent in 1953.

(5) While farmers are having a tough time, undoubtedly, Santa Claus will come to their rescue before the next November election, since farmers do vote.

(6) Signs point to a reduction in inventories and the encouraging aspect of manufacturers, who are cooperating with retailers in an effort to stimulate sales by providing displays, demonstrations, national advertising, and better quality products.

(7) There is a slackening of consumer credit and debts are being liquidated. This, in my opinion, is a splendid compliment to the American people, who realize that they cannot continually pile debt upon debt, without eventually getting into difficulty. Without any restrictions from the government, manufacturers, banks, or retailers, they have voluntarily assumed a reduction program that will establish a firm base from which to build new horizons.

(8) Small payments under the unemployment security plan will serve as a cushion for unemployment.

(9) For the first time since 1941, we have been free of actual fighting and casualties, and are enjoying partial peace in Korea.

(10) The Administration is exerting great effort to reduce taxes to both individuals and corporations.

(11) For the past 12 months, we have had a fairly stable price level.

(12) At the present time, there are $165 billion of personal holdings of liquid assets, which includes U. S. Savings Bonds, cash in banks, currency in pockets, and deposits in Savings & Loan Associations. A recent report revealed that 7 7/10% of disposal income was saved by individuals in the fourth quarter of 1953, which compares with 3.6% set aside in the year 1949 and 5.6% for the year 1948. This represents over $1,100 of liquid assets for every man, woman, and child in the United States.

(13) For the first time in 20 years, we have free markets—free of price controls and government controls.

(14) Expenditures for 1954 by Federal, State, and Local Governments, are estimated to approximate $90 billion. It is estimated that $7 billion will be spent for roads alone and other large amounts for schools, bridges, sewers, and water facilities.

(15) The Public Utilities are also planning large expenditures for expansion of their facilities.

Long-Term Favorable Factors

All of the above favorable factors are related to the short-term. However, from a broader outlook, let us review some of the long-term favorable factors.

It is estimated that the production of electrical energy will double within the next 10 years and this should increase a demand for all electrical products. You may say that there is a saturation at the present time of these items, but I recently saw the January, 1954, figures which revealed that: only 3% of the Households had Dishwashers; 3% Air Conditioners; 4% Garbage Disposals; 5% Clothes Dryers; 30% Hot Pads; 31% Mixers (Electric); 60% Vacuum Cleaners; and 63% Televisions.

It is also reported that 50% of all of our homes are 30 years old and over.

I think that you will agree with me that the human wants are never completely satisfied. The public is always looking for new and better products. The best asset of American business is the responsiveness of the American people who are quick to try new products and are curiously looking for more exciting, more convenient, more attractive, and more enjoyable products. I could spend all morning discussing the possibilities of electronics and the exciting way in which they will give us a higher standard of living.

Our population is growing at the rate of 2½ million per year and in two decades, the increase of population in this country will represent as many people as the entire present population of the French Nation. Just imagine the requirements for clothing, housing, feeding, and educating our own people.

I think that we will have to admit that we will all have to do more aggressive merchandising, study our cost and expenses. Control our inventories, and eliminate inefficiency, if we expect the public to buy our products.

A Cooperative Federal Reserve And Treasury

If our present decline gains momentum, we are assured that the Federal Reserve and the U. S. Treasury are cooperating as never before to promote good economics. The theory seems to be too much and too soon, instead of too little and too late. There is no doubt that the greatest change in the fiscal policy in the United States took place last year with the determination of the authorities to manage the debt and promote fiscal policies that would be favorable to business and industry. The present policies of the authorities can be compared to a three-legged stool which the expert watch maker uses in his shop while he works on precision instruments. The three legs consist of fiscal policy, debt management and credit management. The authorities displayed rare courage and foresight last Spring when they raised the rediscount rate and issued a long-term 3¼% bond that caused money to become scarce and burst the bubble on the boom.

Subsequently, the authorities reversed their position in order to prove that their monetary system was flexible by reducing the reserve requirements, and at the same time purchasing government securities. This evidenced proof that the Treasury, working with the Federal Reserve, can keep the three-legged stool, as illustrated above, practical and workable.

Let us, therefore, remember the words of Mr. McCloy, and make 1954 a good year.

*An address by Mr. Bowers at the 11th Annual Northeastern Mid-Atlantic Consumer Credit and Collection Conference, a unit of the National Retail Credit Association, Atlantic City, N. J., March 8, 1954.

Rejoins Kerr & Bell

LOS ANGELES, Calif. — Lawrence F. Rossiter has rejoined the staff of Kerr & Bell, 210 West Seventh Street, members of the Los Angeles Stock Exchange. Mr. Rossiter for a number of years has been with Dean Witter & Co.

Twin City Bond Club Annual Field Day

MINNEAPOLIS, Minn. — The Twin City Bond Club will hold its annual field day and golf tournament on Thursday, June 17 at the White Bear Yacht Club. The event will be preceded on June 16 by a cocktail party to be held at the Hotel Nicollet.

Plans Business History Institute in Pittsburgh

PITTSBURGH, Pa.—The Lincoln Educational Foundation, Inc. is planning to establish a Business History Institute in Pittsburgh as part of its program for study of the contribution made by business and industry to the growth and progress of America.

Members of the committee considering the establishment of the institute are Dr. John W. Oliver, head of the Department of History of the University of Pittsburgh; Dr. E. R. Weidlein, President of Mellon Institute and William K. Whiteford, President of Gulf Oil Corp.

The Foundation in addition to the Institute is also planning to prepare a textbook on American business history and to promote endowments of chairs of business history in colleges and universities.

Joins First California

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Wendell A. Hutchinson has become connected with First California Company, 300 Montgomery Street. He was formerly with Frank Knowlton & Co.

Joins Newhard, Cook

(Special to THE FINANCIAL CHRONICLE)

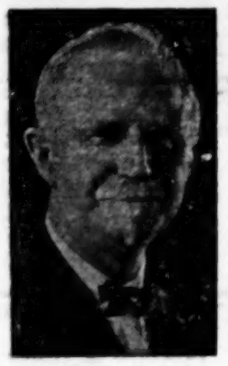
BELLEVILLE, Ill.—Mrs. Laura Le Tourneau is now associated with Newhard, Cook & Co, First National Bank Building. Mrs. Le Tourneau was previously with Fusz-Schmelzle & Co.

The Stock Market and Employment

By ROGER W. BABSON

Mr. Babson, in pointing out discrepancies in stock market averages, explains Dow-Jones averages, and warns it is unfair to act on these averages. Holds, because the Industrial Group is made up of top big-company stocks, these stocks are boosted above the true market average. Contends, although Dow-Jones average may be wrong, it is a fair barometer of general business, but does not necessarily represent employment conditions. Concludes employment managers make big mistake by firing people now.

There are about 1,500 stocks listed on the New York Stock Exchange. Of these 1,500, only 65 are taken to prepare the Dow-Jones Averages, so-called. Furthermore, these are divided into three groups: (1) The Industrial Group containing 30 stocks; (2) The Railroad Group containing 20 stocks; and (3) The Utilities Group containing 15 stocks.



Roger W. Babson

As a practical matter, most investors do not bother with the second and third groups. They look at only the Industrial Group. When the Industrial Group of 30 stocks goes up, they think the entire market of 1,500 stocks goes up. When this Industrial Group goes down, they think all the 1,500 have gone down. Hence, the newspaper headlines reporting the market at its "25-year high," really apply only to the Industrial Group of 30 stocks—not to the real average of the entire market—or probably not to the stocks which you own.

Is the Dow-Jones Barometer Fair?

I answer this very frankly by replying that it is unfair to act on these averages. The truth is: (1) that this Industrial Group is made up of the top big-company stocks; (2) that banks and trustees—perhaps partly to protect themselves against later suits—prefer to buy, for trusts and pension funds, the stocks of these top companies; (3) that this concentrated buying, with little selling, sends these 30 stocks up above the true market average; and (4) that the buying of Mutual Funds is a great factor in boosting the Dow Industrial Average.

Let me say something about these Mutual Funds. They are worthy of careful consideration for small investors. They give wide diversification and honest management. These Funds are being sold to day by thousands of salesmen who get a commission of about 5%. When you buy the stock of a Mutual Fund, your money is probably used to buy the stocks of top industrials. Hence, thousands of salesmen are on the road indirectly selling the stocks of these 30 Industrials, for which selling they get 5% — while the rest of the 1,500 stocks are neglected, for the selling of which they would get only ⅛th of 1%.

Stock Market and Employment

It is unjust to say that the stock market should be a fair barometer of general business, which determines your employment. The stock market **as a whole** does represent the composite opinion of the business leaders of the nation. Although this composite opinion may be wrong, it is worthy of careful consideration by every reader of this newspaper.

But the Dow-Jones Industrial Average does not necessarily represent the opinion of leading businessmen as to employment conditions. Hence, it may be very unfair to you for any manufacturer, or his employment manager, to base his opinions **and hence his "firing and hiring"** program on the Dow-Jones Average. Manufacturers should study the average prices of all the 1,500 stocks, properly adjusted as to volume, and not depend solely on what 30 stocks indicate.

What Is the Present Outlook?

The truth is that the stock market is very confusing to any honest employment manager today. The Dow-Jones Industrial Average indicates one thing; while the entire stock market indicates an opposite thing. Certain good stocks are now abnormally high; while other good stocks are abnormally low. Before you are fired by any employment manager, he should study other factors, rather than look solely at the stock market.

General business fell off during January and February, 1954, compared with 1953; but the stock market did not forecast this. Some stocks went up; while others went down. Many stock prices have changed very little in the past six months or even longer. Hence, we all should watch carefully the business of March and April without reference to the stock market. Certainly — except for customary seasonal reasons — I forecast that employment managers will be making a big mistake by firing people at this time.

COMING EVENTS

In Investment Field

Mar. 31-April 1, 1954 (Chicago, Ill.)

Central States Group Investment Bankers Association of America, 18th annual conference at the Drake.

Apr. 12-16, 1954 (Philadelphia, Pa.)

Institute of Investment Banking second annual session at the University of Pennsylvania (sponsored by the Investment Bankers Association of America and the Wharton School of Finance and Commerce.

Apr. 29, 1954 (New York City)

Association of Customers Brokers anniversary dinner at the Hotel Roosevelt.

Apr. 29-30, 1954 (St. Louis, Mo.)

St. Louis Municipal Dealers Group annual outing.

May 7, 1954 (New York City)

Security Traders Association of New York annual dinner at the Waldorf-Astoria.

May 9-11, 1954 (Dallas, Tex.)

Texas Group Investment Bankers Association 19th Annual Meeting.

May 12-14, 1954 (Boston, Mass.)

Board of Governors of Association of Stock Exchange Firms meeting.

May 16-20, 1954 (Chicago, Ill.)

National Federation of Financial Analysts Societies Convention at the Palmer House.

June 9-12, 1954 (Canada)

Investment Dealers' Association of Canada Annual Convention at Jasper Park Lodge.

June 11, 1954 (New York City)

Municipal Bond Club of New York 21st annual outing at Westchester Country Club and Beach Club, Rye, N. Y.

June 16-17, 1954 (Minneapolis, Minn.)

Twin City Bond Club annual picnic cocktail party, Hotel Nicollet June 16; field day and golf tournament, White Bear Yacht Club, June 17.

Sept. 22-26, 1954 (Atlantic City)

National Security Traders Association Annual Convention at the Hotel Claridge.

Sept. 23-25, 1954 (Minneapolis, Minn.)

Board of Governors of Association of Stock Exchange Firms meeting.

Connecticut Brevities

At their annual meeting late in March the stockholders of **New Britain Machine Company** will vote on a proposal to change the par value of the common stock from no par to $10 par and to issue two shares of new stock for each present shares. There are presently outstanding 209,351 shares.

* * *

Stockholders of **Hartford Fire Insurance Company** have voted to authorize payment of a 25% stock dividend to holders of record March 26, payable April 23. The present 1,600,000 $10 par shares will be increased to 2,000,000 shares. Directors have announced their intention to continue cash dividends at the previous rate of $3.00 a share.

* * *

The Collins Company has recently purchased the Henry Cheney Hammer Corporation of Little Falls, New York, maker of a complete line of hammers, including nail holding hammers. The acquisition rounds out Collins' line of axes, hatches, hammers, logging tools and machets. Operations will continue at Little Falls until plans can be completed for moving to the Collinsville plant.

* * *

Earnings of **The Southern New England Telephone Company** for the year 1953 were equal to $2.01 per share against $2.08 in 1952, both based on the average number of shares outstanding. Results for 1954 should benefit from the rate increase authorized by the Connecticut Public Utilities Commission in August. During 1953 the last exchange in the Company's system was converted from manual to dial operation, thereby completing a program inaugurated in 1922.

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The annual report of **Associated Spring Corporation** indicates that sales increased from $40,700,000 in 1952 to $51,300,000 in 1953. Federal income and excess profits taxes for 1953 were at a 69% rate and were equal to $6.39 a share. Net after taxes was $2.80 against $2.54 a share the previous year. Plans for the coming year include additions to and modernization of the plant of the Raymond Manufacturing Company Division in Corry, Pa. and the construction of a small plant in Syracuse, N. Y., to provide service for customers in the central New York industrial area.

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American Hardware Corporation has discontinued production of grey iron castings because of the trend away from its use in the production of builders hardware. Most of the employees affected will be transferred to provide increased production of aluminum, brass and bronze castings.

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Bridgeport Brass Company is purchasing the State Armory in Bridgeport. The building was used by the National Guard until September of 1953. The company will spend about $40,000 on rehabilitation before occupying. The building was purchased under a state legislative act of 1949 which gave the company an option to purchase if and when it was declared surplus.

* * *

Plax Corporation, which is jointly owned by **Emhart Manufacturing Company** and Owens-Illinois Glass Company, has stopped operations at its leased plant in West Hartford. Manufacturing will be concentrated for the present time in the plants at Stonington, Conn., and Louisville, Ky.

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Directors of **General Dynamics Corporation** and **Consolidated Vultee Aircraft Corporation** have voted to merge the two companies, subject to stockholders approval at meetings to be held April 26. Holders of Convair stock would receive four-sevenths of a share of General Dynamics for each share held. Convair would continue to operate under its present name, but as a part of the General Dynamics group.

Bankers Offer Stock Of Calif. Int. Tel. Co.

Public offering of 300,000 shares of common stock of California Interstate Telephone Co. at $10.50 per share is being made today by a syndicate, headed by William R. Staats & Co., and including Bateman, Eichler & Co., Crowell, Weedon & Co., First California Company, Hill Richards & Co., Lester, Ryons & Co., and Walston & Co.

California Interstate Telephone Co. was incorporated in California on Jan. 21, 1954 for the purpose of engaging in the telephone business and acquiring the business and assets of Interstate Telegraph Co., a Nevada corporation, which owns and operates a telephone system in portions of eastern California and a small adjacent area in Nevada. At Dec. 31, 1953 Interstate operated 20 local exchanges serving 10,919 telephones.

The net proceeds from the sale of the shares, together with the net proceeds to be received by the company from the private sale to seven institutional investors of $4,200,000 aggregate principal amount of its first mortgage bonds, 4¼% series due 1979, and $1,500,000 aggregate principal amount of its 4¾% sinking fund debentures will be used primarily to purchase from California Electric Power Co., all of the capital stock of Interstate to be outstanding on the date of acquisition. Promptly upon acquisition of this stock the company expects to cause the dissolution of Interstate Telegraph Co. and to acquire all of its property and assets, subject to its liabilities.

Two With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Richard H. Rish and Milton S. Wolken have become affiliated with Merrill Lynch, Pierce Fenner & Beane, Board of Trade Building.

Charles C. Wright

Charles C. Wright passed away at the age of 66 after a long illness. Mr. Wright was a former member of the New York Stock Exchange.

The Longer Range Forces In the Stock Market

By DAVID L. BABSON*
David L. Babson & Co., Investment Counselors
Boston, Mass.

Pointing out trying to correlate the trend of industrial activity too closely with stock prices has been a costly procedure, Mr. Babson finds stock market forecasts have neglected to stress great expansion that lies ahead. Decries fear of "another 1929," and lists as key factors in favorable long-range prospects: (1) continued population growth; (2) expansion in research activities; (3) rising living standard; and (4) changed monetary conditions. Forecasts continued economic progress.

Looking at the stock market today, I feel the longer range forces are far more important than the immediate factors. Trying to correlate the trend of industrial activity too closely with stock prices has been a costly procedure, particularly in the postwar period. Now — as has been the case for a long time — it is difficult to judge the effect of short-term business conditions on stock prices.

David L. Babson

Too much investment literature and investment thought has been devoted to the short-range outlook, too little to individual values and to the fundamental forces which have been at work.

My observation is that more wonderful opportunities to buy the best stocks at bargain prices have been lost and more sound research and good ideas have been ruined by the preoccupation of both professionals and individual investors with attempts to forecast the immediate future than by any other single cause.

Neglect of Expansion That Lies Ahead

Recently I reviewed some forecasts of the earlier postwar period. The amazing point about them was not their poor record of accuracy but the failure of their authors to have the slightest conception of the great expansion that lay ahead. Some forecasters were calling for a depression and sharply lower stock prices as long ago as 1948.

About that time, a British publication sent one of its editors to the U. S. to find out what the average American was thinking about. He toured the Wall Streets and Main Streets of the country. He spent six months over here. He talked with literally hundreds of people.

When he returned to London, a big editorial meeting was called to hear his report. He was asked this question: "As a result of your survey, what modern event would you say has made the greatest impression on the average American businessman and investor?" What was the reporter's answer? Was it Pearl Harbor? No. Was it Hiroshima and the opening of the atomic age? No. Was it the era of great postwar expansion? No. His reply was: "The 1929 stock market crash!"

Investors—including, I'm afraid, many of the professionals—have been scared to death of "another 1929" throughout these postwar years. Yet during the entire period from 1947 to date stocks have sold at, or close, to the lowest price in history in relation to accepted appraisal yardsticks such as assets, earnings and dividends.

*A talk by Mr. Babson at a luncheon meeting of the New York Society of Security Analysts, New York City, March 9, 1954.

Price-Earnings Ratios

Three facts of importance stand out in a study of price-earnings ratios over the past quarter century:

(1) At no time has a major downturn in the stock market occurred when the Dow Industrial Average has sold at 12 or less times its earnings.

(2) The few periods in which the Average has sold at 10 times or less its earnings have been followed by a substantial rise in prices.

(3) In all periods preceding a major decline stocks have sold at 16-18 times earnings. If such a capitalization of 1953 earnings has taken place, the Dow Average would have sold between 425 and 475.

The highest ratio of prices to earnings for the Dow Index since 1946 has been 12.4 times (in early 1952). During most of the postwar period the ratio has been less than 10.5 times. At its present level the Dow Average is selling at 11 times its 1953 earnings.

An investor wrote to me recently as follows: "I recognize that our economy has undergone vast changes since prewar days and that stock prices ought to be higher than they were then. But my problem is how much higher — 50%, 100%, 200%, or what? Like hundreds of others, I suppose, what I am really trying to decide is whether the past three years' range of 260-290 on the Dow Average is a high, a medium, or a low price zone."

This is the real nub of the problem facing analysts today. Here is one approach to this problem. Reduce the 1953 earnings on the Dow Average by 20% to allow for the present recession. The resulting figure is a little less than $22 per share which is lower than the earnings of the Average for any year since 1947. Twenty-two dollars per share is 150% higher than the average earnings of prewar years 1935-1940.

The mean price of the Dow Average in those six prewar years was 140. Adjusting this mean price by the 150% increase in postwar earnings results in a Dow median level of 350. Making the same calculations for the average high and lows of the six prewar years gives a postwar high of 415 and low of 285.

Let me repeat these figures. The adjusted high would be 415, the mean 350 and the low 285. The above postwar, prewar price earnings relationship is more than confirmed by all the measures of economic change such as gross national product (up 350%), disposable income (up 270%), money supply (up 320%), earnings of all corporations after taxes (up 420%), dividend payments (up 150%), etc.

In looking beyond the present situation, there are four influences which are key factors in my thinking. These are:

(1) Continued population growth.

(2) Expansion in research activities.

(3) Rising standards of consumption.

(4) Changed monetary conditions.

None of these are new forces but that does not reduce their importance. A breakdown of the projected population increase by age brackets, for instance, contains many more important implications for security analysts than the mere fact that population is projected to expand by 17 million in the next decade.

While the number of people in the productive age groups — between 18 and 65—will increase only three million or 4%, the number of dependents will rise 14 million or 22%. This projection indicates that labor shortages and rising wages—not unemployment and breadlines—will be the key problems in the years ahead. In turn this means two things to me:

(a) The high level of capital expenditures for the purpose of cutting production costs is likely to be accelerated, not curtailed.

(b) The unions are likely to push wages up faster than engineers and managers can cut costs resulting in continued cost-of-production inflation and further dollar shrinkage.

The projected breakdowns also indicate that construction is likely to average out at much higher levels than now anticipated. School enrollment, for instance, will increase an incredible 40% from 1952 to 1960.

Expansion in Research Activities

(2) The second key force in the longer-range outlook is the enormous expansion in research activities. Research expenditures were eight times as large in 1940 as in 1920. They are over four times as large today as in 1940. Typical of the trend, duPont spent $2 million on research in 1920, $7 million in 1939, $16 million in 1945, $38 million in 1950, $57 million in 1953.

As you know, there is a direct relationship between this rapidly expanding research work and the volume of new products and new sales which are generated. In the post-war period, research has created at least 3 major new industries of investment interest — petrochemicals, electronics and nuclear energy.

In the next few years industry should receive even greater stimulus from technological progress.

(3) The third trend is the explosive increase in the standards of consumption. In turn, three forces are behind this trend:

(a) The nation's income is far more evenly distributed than ever before. In spreading the purchasing power among the former poor and near-poor, a new mass market for American goods has been created that not only was undreamed of a few years ago but the significance of which is still not fully appreciated by statisticians and economists.

(b) The level of the nation's education is advancing rapidly. The percentage of high school graduates in our adult population has risen from 7% in 1920, to 27% in 1940, to over 40% today. The standards of consumption of a population containing over 40 million high school graduates, as today, are quite different from one with 23 million high school graduates as in 1940 or one with only 5 million as in 1920.

(c) Not only do the people have the money and the desire to buy more goods but they have more leisure to consume more goods. At the turn of the century, the average man labored 10 hours a day, six days a week. In 1954, less than 8 hours, 5 days per week is standard. In another few years a 30-hour week is likely to be the prevailing policy. The growth of the paid vacation has paralleled the shortening of the work-week.

The spreading of income, increased education and greater leisure are difficult factors to measure statistically but they are among the reasons why the power of the post-war economy has been so badly misjudged by so many.

Changed Monetary Conditions

(4) The fourth and final long-range force I want to touch on is the change in monetary conditions. Although the control of money and credit passed from the bankers to the politicians 20 years ago, I seriously doubt if most investors—and analysts—have adequately adjusted their investment thinking in the light of this profound change. Since (a) the public will not accept deflation, and (b) deflation means the elimination of the political party in power, the politicians will always vote to increase the money supply and to depreciate the dollar whenever the threat of depression appears. This trend is being confirmed in Washington right now.

Now I am not suggesting that these four and similar long-range forces guarantee an uninterrupted rise in stock prices from year to year. Nor that relying solely on these trends is the easy answer to all investment problems including proper selection af individual securities.

But emphasis on the fundamental forces and on those companies making the greatest relative progress has certainly produced far beter investment results over the years than trying to forecast the immediate future.

My feeling has not changed on this point since 1947 nor is it different today. I know of no better way to summarize that position than to quote from our Staff Letter to our clients dated December 8, 1947 (when the Dow Average was 175) as follows:

"Keep your eye on the ball which is the next 10 years, not the next 10 days or 10 weeks. . . . Far from despairing over present day developments, investors should be looking forward optimistically to the most prosperous decade they have ever known."

Joins Beil & Hough

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — Joseph D. Euler has become associated with Biel & Hough, 33 Fourth Street, members of the Midwest Stock Exchange. He was previously with Florida Securities Company.

With Johnson, Lane, Space

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Robert I. Martin has joined the staff of Johnson, Lane, Space & Co., Inc., Citizens & Southern National Bank Building. He was previously with J. W. Tindall & Co.

No Room for Pessimism!

By HUGO STEINER
Berkeley-Steiner, Inc.
Mortgage Financing, New York City

Calling attention to vast expansion programs in various industries, Mr. Steiner points out in spite of present moderate recession, management is looking beyond the short-term, and is aiming for greater productivity at lower unit costs. Say government, through Federal Reserve and Treasury, is adding powerful support to this program by assuring industry ample funds for all needs. Looks for a new burst of optimism.

This observer believes that the current readjustment which began in May and June of last year will before not too long be regarded as one of the mildest recessionary phases ever witnessed in our history. Lacking a major stimulus, war activity, and faced with increasing competition for the first time in many years, certain of our industries continue to trim inventories and the tendency is still toward moderate deflation as compared with the vast production in 1953 which pushed the gross national product figure to $368 billion. One of our giant corporations, while recognizing this intermediate factor, has announced that it plans to spend $1 billion for capital improvements within the next two years. Later this figure was raised to $1.5 billion for three years. The magnitude of this expansionary program and its impact upon the economy can be appreciated when it is realized that this corporation has spent approximately $2 billion in expansion and plant improvements since the end of World War II—$1 billion more than its toughest competitor.

Hugo Steiner

At this writing, a third company in the same industry has just concluded negotiations for a $250 million 3¾% note issue with final due date, if you please, in 2054. Purpose of loan? For "expanding and modernizing facilities, and improving productivity by including further automation." The following figures illustrate the reason for continued optimism on the part of the motor industry:

	Annual Output	Registration
1946	3,071,000	33,946,000
1948	5,232,000	40,557,000
1950	7,944,000	48,600,000
1952	5,350,000	52,044,000
1953	7,390,000	54,745,000

(Output figures by Automobile Manufacturers' Association.)

Due to the pent-up demand created by World War II ban on automobile manufacture, the rate of production since 1947 has averaged 6½ million units annually. A short 15 years ago, only 29 million units were in operation—the present figure is 2½ times greater than the total in the rest of the world. Paul G. Hoffman, Chairman of the Studebaker Corp., and reputed to be one of President Eisenhower's close advisors, predicted several days ago that 60 million cars and trucks will be sold in the next decade, with retail sales exceeding $150 billion. Add to this the continuing growth of the automotive replacement products market, (wholesale value of sales in 1940 $553 million, in 1953 almost $2 billion) ranging from batteries and brake linings to spark plugs and tires, and it becomes quite apparent why optimism and expansion in the motor industry is justified. Our existing highways and roads must be modernized and further expanded to accommodate this increasing load. A roadbuilding and improvement program at the rate of $5 billion annually for the next 12-15 years would only partially relieve our highway problem.

The air-conditioning industry, according to a recent survey, anticipates a remarkable expansion in fully air-conditioned homes in the next five years. Approximately 100,000 homes have this facility today. Projected estimate for 1956 is 360,000 units, for 1958 about 700,000 units. By 1963, sales, including industrial and commercial installations are expected to exceed $5 billion annually. The report further notes that in the next decade, the nonair-conditioned home may be considered obsolete. Starting this year, one company plans to invade the low cost housing field (under $10,000).

New TV Outlets

In the radio-electronics industry, the temporary period of inventory indigestion appears to have already been corrected. Price reductions have further stimulated sales to a point where some distributors are presently sold out of the more popular televison models. Since April, 1952, the Federal Communications Commission has granted permission for construction of more than 500 new outlets, many in areas inadequately served or not having any stations at all. More permits are being granted with each passing month. By 1957-58 there may be a total of 1,000-1,500 additional outlets constructed.

One prominent electronics official has expressed the strong opinion that while the trend may level off from time to time, the industry will grow between 50-75% in the next five years. Another outstanding company will increase its working capital position 75% shortly in order to extend credit facilities and to serve some 5,300 independent telephone companies throughout the country which surprisingly cover about two-thirds of the nation's area. Since these smaller independents have difficulty in arranging ample public financing, this company will obtain important equipment business by facilitating credit advances.

Electric Industry Outlook

Speaking at a dinner meeting in New York recently, one of the top executives of the electrical equipment industry advanced the opinion that this major industry which has already had an amazing growth in the last ten years, "would continue to expand further at the astronomical rate of doubling itself every ten years." Since World War II the electric utilities have spent more than $13 billion to finance expansion programs increasing the kw. capacity from 40 to 73 million at the end of 1953. An additional $2.5 billion is to be spent annually through 1956. He further ventured the suggestion that within five years, substantial quantities of electric power would be realized from atomic energy as a by-product of the production of plutonium. This accomplishment will undoubtedly open up new vistas of exploration and expansion in fields of endeavor still in the laboratory stage.

The writer has been following the Treasury bill rate as a guide to the money market. The decline in this rate to the 1% level foreshadowed the reduction of the Federal Reserve rate from 2% to 1¾% in early February. In recent days the Treasury bill rate has eased still further to a seven-year low, indicating a long period of favorable rates to all segments of business. The prime rate (interest charged the best name borrowers), presently at 3¼% cannot be maintained very much longer at that level. The conventional mortgage rate on one family homes, now 5 in the greater New York area and higher in the interior sections of the country will soon return to the 4½% level prevalent a year ago. Alert institutional investors, savings banks, and insurance companies particularly, have been purchasing FHA and VA mortgages in substantial quantities at bargain prices in various sections of the country in recent months. This has caused a rise of several points in their quoted prices. The enormously powerful influence of the Federal Reserve's and Treasury's cooperative action in easing the money market since last Spring when a 3¼% bond, (a relatively high rate) was issued, and promptly declined to 98½ bid is amply illustrated in the accompanying table.

The triple-barreled effect of government bond purchases by the Federal Reserve System, about $2 billion since June, and the recently ordered reduction in reserve requirements of the 6,800 member banks of the Federal Reserve System, loosening up an additional $1.2 billion plus the lowering of the Federal rate to 1¾% in February have all combined to bring about the most dramatic price improvement ever witnessed in government quotations in such a brief period.

Treasury Cautious

Evidently political considerations colored the decision to issue $1.5 billion of 3-month tax anticipation bills due to mature June 24. At the same time it was stated that this decision "postpones consideration of longer-term financing until later in the fiscal year." Note the use of the word "longer-term" rather than "long-term." Floating a sizable long-term bond for cash might be interpreted as deflationary at this phase of the business cycle. The authorities are being more deliberate and careful in funding the huge short maturities than they were last year. It now appears quite likely that the next bond issue will bear a coupon under 3%.

Growth of our population continues at a merry pace. The present total, including the armed forces overseas is 161,500,000, up from 150,697,000 in 1950. Projecting a net increment of 2½ million annually (it was 2.7 million in 1953) the population in 1960 should pass the 176 million mark and by 1970 be above 200 million. Last year the experts were confounded when a new record for births was noted—just under four million. This was the seventh successive year in which new arrivals exceeded 3½ million. The number of babies born in the last ten years has exceeded the extraordinary total of 35 million. School budgeteers and planners are having a difficult time attempting to to keep pace with the problems arising from this amazing growth in the youthful population since the end of World War II.

Another item, our longevity record, is contributing heavily to our population gain. The average lifetime of the American people is now 68.5 years, representing a gain of 21 years since 1900. The white man who celebrates his 65th birthday has a fifty-fifty chance of living another 10-12 years. The record for women is even better. Her chances are equally as favorable for attaining the ripe age of 80. Obviously, such a rapidly expanding population produces a need not only for baby buggies and schools but for all other goods and services in ever increasing measure.

Expansion Programs Continue

Despite present hesitation due primarily to inventory shakedown to a peace pattern, management is looking beyond the short term and is undertaking large modernization and expansion programs for greater productivity at lower unit costs. The government, through its agencies, the Federal Reserve and Treasury, is adding powerful support to this program by providing assurance of the availability to business and other markets of ample funds for all needs. Obsolescence of existing facilities is creating a tremendous replacement market—a large percentage of our automobiles are more than 10 years old. Large scale slum clearance projects will be undertaken as soon as permissive legislation is enacted. President Eisenhower has also requested Congress to continue the present low-cost housing program for four years to provide for the construction of 140,000 more units.

While some further time is required to correct the swollen inventory situation created by abnormal activity of the recent past, the daily demands of a rapidly expanding population for all types of goods and services will prevent a serious inventory recession.

Savings banks deposits continue at a high level. In New York State alone during 1953 this figure expanded by $1 billion to an all-time high of $14.1 billion. New life insurance written last year broke all records. The buying power of the public continues to be large.

All this indicates that the elements of high prosperity are present. As the minor downtrend continues to level off, uncertainty and hesitation will give way to a new burst of optimism. Under the guidance of a sound business man's administration, the business men of America have nothing to fear. There is no room for pessimism.

	*Treasury Bond Prices			Yield		
	6-1-53	12-1-53	3-1-54	6-1-53	12-1-53	3-1-54
2¼% bonds due Sep. 15, 1959	95.12	99.10	101.23	3.13	2.38	1.55
2¼% bonds due Dec. 15, 1962	91.30	97.18	100.10	3.24	2.55	2.19
2½% bonds due Sep. 15, 1972	89.28	95.12	99.22	3.21	2.82	2.52
3¼% bonds due Jun. 15, 1983	98.21	103.31	109.14	3.32	3.04	2.71

*Decimal figures are 32nds of a point.

Industrial Relations in The United States

By SUMNER H. SLICHTER*
Lamont University Professor, Harvard University

Predicting industrial relations are likely to remain stable for some time to come, Dr. Slichter discusses basic settlements which support this view, and, in addition, examines some important unsettled issues in American industrial relations, which, he claims will only superficially disturb recent settlements. Lists among unsettled industrial relations problems: (1) State-Federal relations; (2) organizational picketing and boycotts; (3) the closed shop; (4) union rivalry; (5) protection of neutrals in labor disputes; (6) supervision of union welfare funds; and (7) labor-stoppages that create national emergencies.

I
Introduction

There have been few times in the history of the United States when industrial relations have been more stable than they are today. Furthermore, they are likely to remain stable for some time to come. During the last 20 years or less a number of basic issues in the field of industrial relations have been settled. These settlements of fundamental issues determine in considerable measure the nature of our industrial relations. Since the settlements appear to be lasting, the basic nature of our system of industrial relations is clearer and more firmly established than at any time in the history of the country.

Sumner H. Slichter

In these remarks I wish to do three principal things. In the first place, I wish to examine briefly the basic settlements that have given our industrial relations a substantial amount of stability and certainty; in the second place, I wish to show the effect of these decisions on the nature of our industrial relations; in the third place, I wish to examine a few of the important unsettled issues in American industrial relations. Although none of the unsettled issues possesses the basic importance of the great questions that have been settled during the last 20 years, some of them are highly important, and the fact that they remain to be settled creates a considerable amount of uncertainty about specific aspects of industrial relations. Indeed, there are probably stormy days ahead, especially over labor issues in the political field. But battles over the unsettled issues will not disturb, except superficially, the recent settlements of fundamental issues.

II
Basic Issues That Have Been Settled

The basic issues that have been settled during the last 20 years and that give an underlying stability to our industrial relations are four in number: (1) the question of whether trade unions and collective bargaining will be the usual way of fixing the terms of employment in American industry; (2) the division of authority between the Federal Government and the States in the field of industrial relations; (3) the questions of whether the country will have a social security system and what kind of system the country will have; and (4) the question of basic public policy toward the rights and obligations of unions and employers. There are, of course, many specific aspects of these four basic issues that are still matters of controversy and that will produce fierce disputes before they are ultimately settled. Many of these subsidiary issues are quite important. Nevertheless, the basic issues that determine the essential nature of industrial relations have been settled, and until new basic issues arise, industrial relations here will remain stable in the sense that there is no uncertainty about the framework within which they will be conducted.

III
Settlements That Give Industrial Relations Present Stability

Let us look briefly at the four basic settlements that give industrial relations their present stability. The first basic issue that has been recently settled has been the question of whether trade unions are to be pretty generally accepted in American industry and whether collective bargaining is to be the usual way of working out the terms of the employment contract. American employers were traditionally strongly opposed to unions, and they resorted to drastic measures to stamp out unionism wherever it appeared. As a result, unions were able to grow up only in certain parts of industry, such as railroading, building construction, mining, and a few scattered manufacturing industries where conditions were unusually favorable for organization. Even as late as 1929, less than one out of ten of the employees who might be regarded as potential union members belonged to trade unions.

The unions have won the battle to become firmly established in American industry, and they have won it decisively. It is true that there are still many unorganized plants, and that many employers will continue to fight the spread of unions and with some success. The position of unions, however, is secure. Although less than 40% of the persons eligible for union membership belong to unions, labor organizations are well established in the parts of industry that interest them most.[1] Virtually all of the employees in railroad transportation, about four-fifths or more of the workers in construction, four-fifths of the workers in mining, about two-thirds of the workers in manufacturing are union members. The principal groups of workers among whom there is only little organization are 10.5 million workers in retailing and wholesaling, 6.7 million workers in public service, and 2.0 million hired workers in agriculture. The former great centers of the open shop, such as the steel industry and the automobile industry, now operate under union contracts. Labor's conspicuous success in establishing the right to organize and to bargain collectively was gracefully recognized in some remarks by President Fairless of the U. S. Steel Corporation last fall at the birthday dinner of David J. McDonald, President of the United Steel Workers. Mr. Fairless said:

"Now I happen to think that labor's victory in that cause (the fight for the right to organize) was a fine thing for America. Today union representation is not only an accepted part of our industrial system—it is, I think, a very necessary one, especially in our larger enterprises. . . ."[2]

The second great question that has been decided in recent years has been the division of authority over industrial relations between the Federal Government and the States. Perhaps I should say that the question has been re-decided, because up to 1937 it was well settled law that the authority of the Federal Government did not pertain in general to the regulation of production processes or employment conditions in manufacturing, mining, retailing, and other industries that were not actually engaged in transporting goods or services across State lines or to other countries. The authority of the Federal Government over production and employment was limited to those industries which engaged in interstate or foreign transportation or communication.

The decisions of the Supreme Court upholding the constitutionality of the Wagner Act and the Fair Standards Act changed all this. The flow of commerce is now regarded as so intimately affected by industrial relations that the commerce clause is held to give the Federal Government broad authority to regulate conditions of employment and employer-employee relations in all enterprises which engage to any significant extent in interstate or foreign commerce. At the same time, the courts have broadened their views of what restrictions on property and individual liberty are permissible under the inherent powers of the Government to protect and promote the public health, the public safety, and the general welfare.

The new interpretations of the Constitution are nothing less than a constitutional revolution. Until they were made, it was scarcely possible for the United States to have a truly national labor policy —that is, labor policies that applied pretty generally to virtually all industries of the country. Now the Federal Government possesses the authority to make and enforce the national labor policies, and the only question is how far the people of the country desire that the Government use this authority.

The third issue of fundamental importance that has been settled recently is the question of the nature of the country's system of social security. The traditional view in the United States was that the Government had little responsibility for extending help to the victims of misfortune. Furthermore, it was regarded as proper that any acceptance of help from the Government should carry with it considerable stigma. Until the Great Depression had become severe, even the A. F. of L. had refused to endorse unemployment insurance (it finally did so in 1932), and it had refused to take a definitive stand on old-age pensions.

These traditional beliefs have not completely disappeared, but they are no longer generally accepted. The Great Depression of the '30s produced distress on such a huge scale that old ideas about the responsibility of the Government and individuals had to be revised. One of the early controversies provoked by the Great Depression was over Federal versus local responsibility for unemployment relief. As the depression became worse, the number of cities which were unable to meet the relief problem within their boundaries became more numerous. Thus the course of events inexorably established the principle that the Federal Government had considerable responsibility for relief.

As the need for national arrangements for giving help to the victims of misfortune became generally accepted, division developed among those who favored relying principally upon straight relief and those who favored some form of social security or social insurance under which benefits would be based upon rights rather than merely upon need, and under which the benefits would be financed by special contributions of the insured rather than out of payments from the general budget. Straight relief had strong appeal to many politicians, and the Townsendite movement, the principal champion of handouts, was a political power in many States.

When the social security system was established in 1935, there was much uncertainty whether the principle of insurance could win out over the principle of straight relief, particularly in the field of security for old age. There was immediate need to give assistance to older persons, but a qualification period of several years at least was considered necessary for a system of social insurance. Hence, old-age assistance started out on a far larger scale than old-age insurance. In 1940 when the first old-age insurance benefits were paid, and old-age assistance payments had been going on for four years, there were 2,066,000 recipients of old-age assistance, and, at the end of the year, only 112,300 recipients of old-age insurance. Total old-age assistance payments were more than 20 times as large as insurance payments—$475 million in comparison with $21.1 million. Even as late as 1950, there were half again as many recipients of old-age assistance as recipients of old-age insurance benefits. The rapid rise in prices induced by the war weakened the position of social insurance because public assistance payments could be more promptly adjusted to the rise in prices than could insurance benefits. Thus, between 1940 and 1946 average old-age assistance payment rose from $20.26 to $35.31; whereas the average monthly old-age insurance benefit increased only from $22.60 to $24.55.

In spite of influential political support for the principle of straight relief, the principle of insurance seems to be slowly winning out. Important progress was made in 1950 when the coverage of the Old-Age and Survivors' Insurance Plan was extended to about 10 million additional workers and when benefits were increased by about 100%, or considerably more than the consumer price index since the beginning of the war. Average monthly benefits jumped from $26 in 1949

Continued on page 40

*An address by Dr. Slichter before the Associated Industries of Cleveland, Cleveland, Ohio, March 12, 1954.

1 There are about 46.5 million persons who might be organized by trade unions, and about 17 million who are not good prospects for organization. Among these, 9.5 million are self employed persons, managers, or officials, more than one million are unpaid family workers, about five million are professional and technical workers, and about 1.5 million are private household workers.

2 "Monthly Labor Review," January, 1954, p. 67.

The Outlook for Mortgage Loans

By EDGAR C. EGERTON*

Vice-President, The Seamen's Bank for Savings, N. Y. City

Mr. Egerton reviews history of mortgage lending by his bank over last century, and notes changes that have occurred in the last few years when government mortgage guarantees and other forms of mortgage credit assistance developed. Sees a growing seller's market for mortgages, and points out mortgage lending is not isolated but is linked to other economic and monetary forces. Warns against "keeping mortgages in the warehouse too long" on assumption that prices couldn't go "any way but up."

There is a great deal of history in the records of a bank as old as the one I have the honor to represent, and a little research indicated that mortgage bankers were unknown in 1829. The first investment of The Seamen's Bank for Savings seemed to be simply a deposit in a commercial bank at 5% interest, said 5% being immediately turned over to the depositors as dividends, although the bank had the power to invest in obligations of the United States, New York State, Pennsylvania, Ohio and the City of New York.

In 1832, the Legislature granted the power to purchase bonds of any state in the Union, and to accumulate a surplus not in excess of 3%.

Then on Feb. 5, 1834, we find the following minute: "A letter from the Hon. M. Van Schaick (Senator in the State Legislature) to Najah Taylor, Esquire, was read communicating that the Bank Committee would report in favor of allowing this bank to loan on bond and mortgages as soon as they can find time to attend to the subject of banks."

Parenthetically, times do not change much. The savings banks are having the same trouble today in getting legislative action on a branch bank bill! It seems, however, the Legislature in 1834 did get around to it with reasonable expediency. Under date of Aug. 6, 1834, we find this minute: "Mr. Charles Marshall having sent in an application for a loan of say $11,000 on the transfer of a mortgage on two houses—one in Beach Street and the other in Barclay Street, at 7% per annum. It was on motion resolved that the bank agree to make said loan and receive the transfer of mortgages provided the title appear satisfactory after the examination of the attorney employed by the Board."

The bank made the loan and so we were off on our long career of mortgage lending. By 1840, it was learned by experience that the bank should require insurance policies on all loans. In 1843, a committee was appointed to inquire into the value of the real estate on which loans had been made and found only one mortgage that required a $1,000 payment.

Jan. 14, 1846, this item appears: "Resolved that the accountant have authority to foreclose any mortgage on which the interest shall remain unpaid for 30 days after it becomes due."

And so the bank had discovered by experience, apparently, that mortgages could be troublesome, and that servicing was a problem. These bits of history give some idea of the simplicity of the lending problem at that time—a simplicity that remained in its essentials until the 1930's. Loans were generally in New York City, were based on the appraisal of a recognized professional appraiser, interest rates varied with the times, and amortization wasn't important.

The theory was that well located Manhattan properties gained in land value at least what they lost in building depreciation over the years, and the theory seemed to work for almost 100 years. While there were some foreclosures in every panic or depression from 1850 to 1920, actually profit and losses on the sale of our real estate practically balanced for the period 1850, when the bank took its first loss, to 1936. The real losses, of course, came during the 1930's, a period with which most of us are familiar.

Restriction of Loaning Area

One fact stood out starkly from the debacle of the 1930's. Savings banks in New York had been confined to a lending area that was too small. Competition had naturally driven many loans too high within that area, and trouble developed when the country got into a depression. As you all know, from 1943 to date lending powers of savings banks were progressively increased until now they have the legal right to make FHA insured or VA guaranteed loans in all states and possessions of the United States, and conventional loans within New York State and any state which adjoins New York. There has been a desire in some quarters to restrict these out-of-state lending powers, which found expression in a bill introduced in this session of the legislature. I understand, however, that there is to be no action taken on it. Loss of foreign lending powers would not only be bad for the savings banks and their depositors, but also for the rapidly developing parts of the country, such as the south, southwest, and west coast where housing loans are badly needed. The New York State savings banks have increased their assets by $9,034,769,225 in the past 10 years and are still gaining rapidly. Obviously that money had to be invested, and I assure you that it would have been impossible to put a fair proportion of it in mortgage loans within the confines of New York State. The bulk of it would have gone into high grade, low return bonds and thus, to some extent, prevented the banks from fulfilling their only basic purpose of providing a safe place for the savings of the people at a fair rate of return.

Lenders are very conscious of their obligation towards their own localities and are anxious to put a large proportion of their portfolios in good local conventional loans, which can be serviced by themselves, can be watched carefully, and provide a good yield.

So much for that. . . .

The Big Events of the Last Few Years

We have all had a part in the big events of the last few years and it certainly has been pretty hectic at times. We have learned that mortgage lending is not insulated from other fields of finance, nor is national lending on guaranteed loans insulated from local conventional lending. We have seen what such things as the removal of the Federal Reserve Bank peg from the government bond market can do to mortgage yields, or what bringing out a new government bond issue at $3\frac{1}{4}$% with no support of the bond market can do to prices for mortgages.

We came through the time when good guaranteed loans commanded premiums to the time when they could be bought for really substantial discounts. It now appears that these discounts are getting smaller and that market prices in general are becoming higher, and we wonder whether that condition is going to continue. It is of vital importance to both lender and borrower to chart his course in relation to what he thinks the future of his market will be, and, I have put down a few thoughts about these matters, with the idea in mind that we are probably as much interested in that phase of our business an any other.

Let's start with the savings banks—

During January, 1954, deposits of all savings banks in the country gained $190,000,000 to reach a grand total of $24,577,000,000. This is the second largest gain for any corresponding month since 1947 so there is obviously no shortage of investment funds. (I think we may consider this as fairly indicative of what is happening in the insurance companies also). Next, we may take into consideration the fact that the sales market for new homes has been slow until the last week or two when a decided pickup became evident. Builders have been hesitant about launching new building programs on a full scale basis, so that housing starts for January totalled 66,000 units in the United States. This is $8\frac{1}{2}$% below the figure for January, 1953.

A Growing Seller's Market for Mortgages

These two factors, taken alone, would seem to indicate that, as one market letter says, there will be a growing seller's market for mortgages, and this may well be true. We are all aware that prices for mortgages have been increasing lately, or, conversely, yields have been going down.

Having been through several of these fillips, however, we may well ask ourselves whether the outlook for high prices is as well assured as it seems to be.

The Title Guarantee and Trust Company report for 1953 indicates that mortgage interest rates in the last quarter of that year averaged a sharp increase to 4.56% over 4.37% average for both the preceding quarter and the first nine months of the year. The average for the year 1953 was 4.44% against 4.25% in 1952 and 4.06% in 1951 so that the new and lower yields are definitely Johnny-come-lately.

Factors that could cause a reversal of the present trend exist in—

First, any considerable economic readjustment in the country could cause a lessening of deposit gains, and a consequent limitation of loanable funds. It may be that the long continued boom is getting a little tired, and we may reach the point where some $60 odd billion of mortgage debt, plus $29 billion of installment credit will be a greater burden on the country than it now seems to be.

Second, any move by the Treasury to issue a long-term, fairly high yield issue of Government bonds, instead of the short-term, low rate issues now generally expected by the marketplace, could cause a fall in Government bond prices. You all know how poor the banks feel when their Government bond investments go substantially below par, and the effect that has on the mortgage market. Similarly, failure to support the Government bond market by the Federal Reserve Bank, or other restrictive measures by the Federal Reserve Bank, could work in the same direction.

Third, if yields on mortgages go too low, savings banks can now invest in common and preferred stocks, municipal bonds and certain corporate bonds in preference to mortgages. Certain investments of this character have very definite tax advantages which give them effective yields that are quite high.

Fourth, F.N.M.A. may be granted an authorization to sell more than the $500,000,000 in mortgages originally granted under the one for one operation. The immediate effect of this would probably be to hold the price of new mortgages to a level somewhat below what their market value might otherwise be.

So, in conclusion, it seems to me that we are brought face to face with the fact that mortgage lending is now quite different from what it was back in 1835. It no longer consists of the simple process of granting a loan to a neighbor as a purely private transaction. It is tied into the whole complex financial and economic structure of the country, and feels the impact of events about as rapidly as any other securities market.

If I were an originator of mortgage loans, I would not keep them in the warehouse too long on the assumption that prices couldn't go any way but up.

*An address by Mr. Egerton before the New York Mortgage Bankers Association, New York City, March 10, 1954.

Swisher With Reynolds

(Special to The Financial Chronicle)

SACRAMENTO, Calif.—LeVerne A. Swisher has become associated with Reynolds & Co., 919 Tenth Street. Mr. Swisher was formerly local manager for Bailey & Davidson.

Business Man's Bookshelf

Agriculture's Sacred Seventh — F. A. Harper — Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y. (paper), single copy, free; quantity prices on request.

American Economic System, The —Edwin Vennard and Robb M. Winsborough — Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y. — $1.00 per copy (quantity prices on request).

How to Get Leads for Your Sales Force—24-page book on promotional work—Mailograph Company, Inc., 39 Water Street, New York 4, N. Y., $1.50.

Morgan Stanley & Co. Summary of Financing 1935-1953 — Morgan Stanley & Co., 2 Wall St., New York 5, N. Y.

Profits Without Forecasting — Leon B. Allen—Gillen & Co., 120 Broadway, New York 5, N. Y. (paper), $1.00.

Public and Private Sources of Loans for the Businessman— The Norman Press, Inc., Albee Building, Washington 5, D. C. (paper), $1.00.

Steadier Jobs—A Handbook for Management on Stabilizing Employment—Industrial Relations Counselors, Inc., 1270 Avenue of the Americas, New York 20, N. Y., (cloth).

Strength at Home — ATL's Proposals, with useful tariff and foreign trade information and statistics—The American Tariff League, Inc., 19 West 44th Street, New York 36, N. Y. (paper).

Volume of Residential Construction, 1889-1950 — David M. Blank — National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y. (paper), $1.50.

Housing and Mortgage Lending—Government and Private

By CARROL M. SHANKS*

President, Prudential Insurance Company of America

Speaking on behalf of the American Life Convention and the Life Insurance Association of America, Mr. Shanks outlines a plan for legislation calling for creation by private lenders of a national voluntary mortgage committee headed up by the Housing and Home Finance Administrator, with regional subcommittees in each Federal Reserve District to assure adequate nationwide credit facilities for financing home mortgage loans. Urges home building be made responsive to market forces, and not to government artificial stimulation. Holds a national Voluntary Mortgage Credit Committee would aid small communities and remote areas.

The Life Insurance companies are naturally greatly interested in sound national policy with respect to housing and mortgage lending. They are vitally concerned about improvement in standards of health and well-being of the American people—in which good housing plays such a prominent part. Beyond this, they are well aware of the important role which a thriving residential construction industry plays in general economic prosperity. At the same time, they have an equal interest in seeing that housing is not over-produced relative to demand, thus causing all the difficulties which must eventually follow. More directly, the life companies are interested in national housing and mortgage lending policy because of their important position as investors in home mortgages.

Carrol M. Shanks

The Extent of Life Insurance Company Investments in Residential Mortgages

Before turning to specific discussion of the bill, it will be helpful, I believe, to review briefly the extent of life insurance company investment in residential mortgages.

For many years home mortgages have been an attractive investment, and the activities of the life companies in this field have been especially noteworthy. During the seven years 1947-1953 inclusive the life companies of the nation increased their holdings of mortgages on 1-4 family residences from $2.6 billion to $13.1 billion, or a net increase of $10.5 billion. At the end of 1953 they held 20.1% of the total outstanding mortgage debt on 1-4 family residences.

The life insurance companies are by far the most important investors in Government-insured and guaranteed mortgages. Their holdings at the end of 1953 of $6 billion FHA mortgages and $3.6 billion VA mortgages, for a total of $9.6 billion of insured and guaranteed mortgages, greatly exceeded such mortgage holdings by the other principal institutional investors. During the period 1947-1953 inclusive they expanded their holdings of FHA mortgages by $4.8 billion and their VA mortgages by $3.3 billion, by far the greatest increase of any investor.

Finally, the life insurance companies held close to $3.9 billion of mortgages on multifamily housing units at the end of 1953, a substantial part of which were accounted for above in Government-insured and guaranteed holdings. These holdings are above and beyond the $450 million invested directly at the end of 1953 in housing projects. Adding together holdings of mortgages on 1-4 family residences and mortgages on multifamily dwelling units, the life insurance companies had total residential mortgage holdings of $17 billion at the end of 1953.

This brief summary indicates the substantial role of life companies in housing and mortgage lending and demonstrates the readiness of the companies to aid the American people in the long-term financing of their housing requirements.

Despite the sharp increase in residential mortgages in recent years, life insurance companies have by no means invested all of their funds in this field. Instead, they have continued their traditional and sound policy of building a well-diversified investment portfolio, including the bonds and stocks of industrial enterprises, public utilities and railroads, government securities, state and municipal obligations, commercial and industrial mortgages, farm mortgages, foreign securities, and real estate.

Financing provided by the life companies has played an immensely important role in the postwar expansion of industrial, public utility, and transportation facilities which is of cardinal importance in our military preparedness program. The building of new plants and equipment all over the country has, at the same time given a great stimulus to housing demand.

A General Appraisal of H.R. 7839

With this background, I would like to comment on the provisions of H.R. 7839. We are in full accord with most of the ideas put forward in the bill which we believe are sound and should be supported. Many of the bill's provisions follow closely recommendations which the life insurance business put forward last summer in our own statement entitled "National Policy on Housing and Mortgage Lending—A Statement of Life Insurance Company Views." With your permission I would like to submit this statement for the record.

We like the effort which is made in a number of sections in the bill to shift from direct government action to reliance on private financing under the FHA insurance program. This is particularly true in connection with the urban renewal and slum clearance program in Title IV, and in the proposed new section 220 which I shall touch on in more detail later. We are also in general accord with the provisions of Title II which would give the President the power to establish flexible maximum interest rates on VA and FHA mortgage loans, and likewise discretion in establishing other mortgage terms on a more flexible basis. We believe, however, that in the use of these discretionary powers the President should be guided by the goal of keeping VA and FHA mortgage terms competitive in the market and that these powers should not be used as a means to employ housing policy as a pump-primer for the entire economy.

We also think that most parts of Title I deserve our support. For example, the provisions of section 101 dealing with property improvement and repair loans are sound. Likewise, we agree that it is sensible and desirable to give the same treatment to both new and existing homes under the FHA insurance program. We think the authorization of FHA insurance of advances in "open end" mortgages has much to commend it. Moreover, we favor a number of provisions in Title I which serve to simplify the FHA insurance system, but we are disappointed that the bill does not provide for eliminating the duplication of effort by the FHA and the VA in processing mortgages which is so costly to not only the mortgage borrower but also the lender and the American taxpayer.

This is but a partial list of the things we like about the bill. However, we are apprehensive about some of the broad philosophy which runs through the bill. This takes the form of a general liberalization of insured and guaranteed mortgage terms to a point which we think raises a serious question of conflict with the tenets of sound financing. Likewise, we believe that the bill leans too far in the direction of accepting the objective that the volume of housing starts must be kept going at a peak level at all costs, and that government should use its proposed control over insured and guaranteed mortgage terms to accomplish this objective. We would like to see in the bill a recognition that regardless of a desire to stabilize the housing industry at a high level, the number of housing starts each year must bear a relationship to such basic forces as the rate of family formation, the need for replacement of clearly substandard housing, and the willingness to buy. Whatever the general objective of stability, there must be leeway for the inevitable price and production adjustments and readjustments which are so healthy in our free market economy. In brief, we believe that government policy should aim to help level off the peaks and fill in the valleys in home building, but at the same time it should permit building to be responsive to market forces.

Views on Sections 220 and 221

I would now like to consider the new sections 220 and 221.

Section 220, providing for a carefully programed system of rehabilitation and neighborhood conservation housing insurance, deserves the support of all institutional investors in that through the use of FHA insurance it provides a workable method for private financing to aid in arresting decay and blight in our cities. If the section is carefully administered and the various safeguards written into the bill are observed, the program has real possibilities for attracting private financing on a sound basis. As a general rule, life insurance companies question the soundness of an amortization period running as long as 30 years, as provided in this section, but it is our view that the life insurance companies generally will find the proposed section 220 acceptable in its present form and will, therefore, purchase these mortgages.

The life insurance business also believes that section 221, providing for a system of mortgage insurance for relocation housing, also has real possibilities if certain amendments are made. The most glaring defect of the proposal is the provision for a 40-year amortization period. We believe that section 221 mortgages could be made acceptable to private financing institutions, without appreciably raising the monthly carrying cost on such mortgages, by reducing the amortization period to 30 years and by tightening the insurance provisions to guarantee the investor against loss at foreclosure. To illustrate our point, if we assume a $7,000 mortgage at a 4½% rate amortizable in 40 years, at the end of five years only $350 would have been paid in amortization; at the end of ten years only $791; and at the end of 20 years only $2,037, with $4,963 of the initial loan still outstanding. As is obvious, the rate of amortization is exceedingly slow, in fact so slow that the physical depreciation and obsolescence of the property would undoubtedly be greater than the amortization. This exposes the investor to serious risk which no lender operating on sound lending principles would be able to assume. If we assume a $7,000 mortgage also at a 4½% rate, but with a 30-year amortization period, the amount amortized at the end of five years is $623; at the end of ten years, $1,400; and at the end of 20 years, $3,598. This rate of amortization, although still quite slow in the eyes of many institutional investors, makes the loan much more acceptable.

To follow through with the illustration, the monthly carrying charge (interest and amortization) on a $7,000, 4½%, 40-year mortgage is $31.50. The monthly carrying charge on the same mortgage, but with a 30-year amortization period, is $35.49. Thus, the shorter term, making the loan sound, involves only $4.00 more per month in the mortgagor's payment. More important, if the loan is written on a 40-year basis the mortgagor must pay total interest of $8,120 over the life of the loan, as compared with total interest of $5,776 if the loan runs for 30 years. Accordingly, the 40-year loan will cost the home owner $2,344 more in the form of interest, which is a heavy price to pay for the extended maturity. For these reasons we believe that the 40-year loan is socially undesirable and we urge strongly that section 221 loans be placed on a 30-year basis.

By the very nature of the loan, the default experience on section 221 loans will be much less favorable than under most other FHA loans, so that the investor must be prepared for more difficult collection problems and a larger percentage of foreclosures. We believe, therefore, that to make the section 221 loans acceptable to private investors, provisions should be included to limit the lender's out-of-pocket losses at the time of foreclosure. This is a special loan program where the risk must inevitably be great, and it is therefore necessary to limit the losses of the lender. It would be most helpful as a practical matter to include in section 221 the same provision in effect with regard to section 608 loans, namely that upon default the investor would have the option to assign the mortgage to FHA and to receive debentures equal to 99% of the unpaid balance.

We do not believe that the amendments we have suggested will interfere with the basic objectives of section 221. They will, however, make the program generally acceptable to life insurance companies and, we feel confident, other institutional investors. If these amendments are made, we are confident that life companies and other institutional investors

Continued on page 24

*A statement by Mr. Shanks before the House Committee on Banking and Currency, concerning the proposed "Housing Act of 1954," Washington, D. C., March 11, 1954.

Continued from page 4

Larger Canadian Industrials Show Metals, Whiskey and Oils at Top

chine, Canada. Funded debt $34 million. $6½ million in 7% preference stock recently merged into common in accordance with recapitalization plan.

Imperial Tobacco Co. of Canada, Ltd.
($157 Million, Dec. 31, 1952)

Incorporated 1912. Operates plant in Montreal. Best known products: Sweet Caporal, Player's and Winchester cigarettes; House of Lords cigars; Old Chum, Picobac & Ogden smoking and chewing tobacco. $25 million in funded debt; $16 million in preferred.

Abitibi Power & Paper Co., Ltd.
($152 million, June 30, 1953)

Incorporated 1914. Leading Canadian newsprint producer. Plants in Ontario, Quebec and Manitoba. Funded debt $36 million; $1.50 preferred $21 million.

Ford Motor Co. of Canada, Ltd.
($151 million, Dec. 31, 1952)

Incorporated 1904. Cars, trucks, tractors and other farm equipment. Principal markets in Canada, New Zealand, South Africa, Australia, India, and Malaya. No funded debt. No preferred.

THE SECOND DOZEN

Simpson's, Ltd.
($133 million)

Company and subsidiaries own and operate department stores in Toronto, Montreal, London, Regina, and Halifax. Also carries on extensive mail order business.

MacMillan & Bloedel, Ltd.
($118 million)

Engaged in logging, sawmilling, and plywood manufacture. Exports lumber and pulp.

Dominion Steel & Coal Corp.
($116 million)

Directly, and through subsidiaries, owns and operates coal and iron mines, steamships and repair yards. Makes iron and steel products, including bolts, nuts, rivets, pipes, screws, wires, nails, and fencing.

Consolidated Paper Corp., Ltd.
($106 million)

Newsprint and other paper products. Also deals in sawn lumber.

Dominion Textile Co., Ltd.
($102 million)

Operates eight mills, including bleacheries and factories for the manufacture of gray and finished cotton cloths. Products sold under the name "Texmade."

Price Brothers & Co., Ltd.
($100 million)

Newsprint, groundwood pulp, lumber, and cardboard.

Northern Electric Co., Ltd.
($97 million)

All kinds of materials for electrical purposes — telephones, wires, cables, electronic equipment, etc.

Powell River Co., Ltd.
($95 million)

Newsprint, sulphite pulp, laminated paper, building and other coarse papers.

Bowater's Newfoundland Pulp & Paper Mills, Ltd.
($93 million)

Newsprint, sulphite pulp, and related products. Exports pulpwood.

Canadian Breweries, Ltd.
($87 million)

Subsidiaries operate eight breweries, one bottling plant, one transportation company, one malting company, and one vegetable and oil processing plant.

Canada Packers, Ltd.
($85 million)

Full line of packing house products. Also shortening, margarine, butter, eggs, peanut butter, soup, frozen fruits and vegetables, and ice cream—animal feed and fertilizers.

Canadian Westinghouse Co., Ltd.
($84 million)

Electrical apparatus of every description, including generators, transformers, motors, meters, instruments, switchboards, etc. Radios, TV, electronic equipment. Electric refrigerators and ranges. Laundry equipment.

TWELVE MORE

Howard Smith Paper Mills, Ltd.
($74 million)

Fine papers; pulp, etc.

St. Lawrence Corporation, Ltd.
($67 million)

Pulp and paper products.

Hudson Bay Mining & Smelting Co., Ltd.
($64 million)

Copper, gold, zinc and silver.

Noranda Mines, Ltd.
($63 million)

Copper, gold and silver.

Canadian Oil Companies, Ltd.
($61 million)

Gasoline and oil refining and distribution.

Algoma Steel Corp., Ltd.
($58 million)

Iron and steel.

Canadian Celanese, Ltd.
($58 million)

Yarns, fabrics, etc.

Canada Cement Co., Ltd.
($55 million)

Portland cement.

Anglo-Newfoundland Development Co., Ltd.
($53 million)

Newsprint and sulphite.

Simpsons-Sears, Ltd.
($47 million)

General mail order business.

Dominion Bridge Co., Ltd.
($46 million)

Structural steel work.

Dominion Tar & Chemical
($45 million)

Coal tar distillation, etc.

OTHERS IN THE $30 MILLION PLUS CLASS

Canadian Car & Foundry Co., Ltd.
($44 million)

Railroad cars, city busses, etc.

Fraser Companies, Ltd.
($44 million)

Paper, pulp and lumber products.

Cockshutt Farm Equipment, Ltd.
($43 million)

Miscellaneous farm equipment.

Mining Corp. of Canada, Ltd.
($43 million)

Holding company.

Eddy Paper Co., Ltd.
($41 million)

Investment and holding company.

Moore Corp., Ltd.
($41 million)

Sales books and allied products.

Steep Rock Iron Mines, Ltd.
($41 million)

Iron mining.

Page-Hersey Tubes, Ltd.
($40 million)

Pipe and mechanical tubing.

Dominion Foundries & Steel, Ltd.
($40 million)

Steel plate, castings and sheets.

Hollinger Consolidated Gold Mines, Ltd.
($39 million)

Gold and silver.

George Weston, Ltd.
($39 million)

Wholesale baker.

Federal Grain, Ltd.
($38 million)

Grain shipping and warehousing.

United Grain Growers, Ltd.
($37 million)

Grain shipping and warehousing.

British Columbia Forest Products, Ltd.
($36 million)

Logging and production of timber products.

Anglo-Canadian Pulp & Paper Mills, Ltd.
($34 million)

Newsprint and paperboard.

Burns & Co., Ltd.
($32 million)

Meat packer; butter, cheese, poultry.

Canada & Dominion Sugar Co., Ltd.
($31 million)

Cane and beet sugar.

Canadian & Western Lumber Co., Ltd.
($30 million)

Logging and lumber products.

Sherritt Gordon Mines, Ltd.
($30 million)

Copper, zinc, gold and silver.

Canadian Canners, Ltd.
($30 million)

Canned fruits and vegetables.

Maple Leaf Milling Co.
($30 million)

Grain milling.

Irving Oil Co., Ltd
($30 million)

Refined petroleum products.

Bathurst Power & Paper Co., Ltd.
($30 million)

Boxboards and shipping containers.

Continued from page 2

The Security I Like Best

Corporation came into being in January, 1907, with a capitalization of $15,000,000, and authority to issue $15,000,000 of bonds. A. W. Mellon became its President.

After taking over all the physical assets of the above companies, the Gulf Oil Corporation assets were $21,369,000. It is interesting to note the asset growth over the years:

1917	$102,934,000
1927	345,380,000
1937	560,399,000
1947	929,169,000
1952	1,627,300,000

From its early experience, the management has learned the importance of continually searching for oil. Today its acreage is held in many parts of the world.

Acreage	Approximate Producing	Non-Producing
United States	971,350	13,721,976
Bahamas	----	6,343,040
Brit. Honduras	----	7,963,520
Canada	21,878	6,401,468
Denmark	----	10,608,000
Kuwait	2,007,040	----
Mozambique	----	29,508,480
Venezuela	936,316	1,478,824
Others	----	1,169,547
	3,936,584	77,194,855

Number of Producing Wells

	Oil	Gas
United States	13,775	417
Canada	185	10
Kuwait	139	--
Venezuela	2,171	31
	16,270	458

I give a conservative value of known reserves, as follows:

	(000 Omitted)
U. S.: 1.3 billion bbls. at 50¢	$650,000
Kuwait (Gulf's shr.): 7 billion bbls. at 25¢	1,750,000
Venezuela: 575 million bbls. at 25¢	143,700
Natural Gas: 6 trillion cubic feet at 3¢	180,000
	$2,723,700

While little is known, as yet, about Gulf's crude and gas reserves in Canada, the Corporation is either in or near almost all of the discoveries in Alberta. It has probably the biggest known gas field in Pincher Creek.

Refineries: Corporation owns eight refineries with a daily crude capacity of 470,000 barrels, or a cracking capacity of 290,900 bbls. The largest is at Port Arthur, Texas, and the second is at Philadelphia, Pa.

Transportation: Corporation has a pipeline system comprising about 10,000 miles. In 1952, 152,024,191 barrels of oil were transported through these lines. A fleet of 38 ocean tankers with additional 15 chartered vessels carried 201,672,741 barrels in 1952. There are 53 shallow vessels operating in inland waters. Corporation has 1,497 tank cars and leases 809 additional. Owns 4,500 trucks, automobiles and trailers. Storage capacity—stock tanks with capacity of 23,782,500 barrels.

Sulphur: Some years ago, Gulf owned big deposits in Louisiana, which were sold to the Texas Gulf Sulphur Company. Gulf still holds 422,798 shares (12.66%) with a current market value of about $36 million. The stock paid $7 a share last year. In addition, Gulf owns sulphur properties in Louisiana, which are being operated by the Freeport Sulphur Company.

Finances: It has been the policy of the management to expand out of earnings, rather than to increase debt. This is evident by the fact that since 1945, $1,250,000,000 was put into properties, of which only $113,000,000 represented new money. In other words, the $1,100 million that went into expansion was equal to the current market value of the outstanding stock of 23,598,120 shares. The working capital is about $360,000,000. As of December, 1952, the outstanding debt was $181,700,000.

I consider Gulf Oil stock at 50, listed on the New York Stock Exchange, based on its physical assets and potential earning power, considerably under-valued at the current price. However, it is an investment stock and only suitable for the long-term, patient investor.

Halsey, Stuart Group Offer Utility Bonds

A syndicate headed by Halsey, Stuart & Co. Inc., is offering today (March 18) $12,000,000 Pennsylvania Electric Co. first mortgage bonds, 3⅜% series due March 1, 1984, at 101.665% and accrued interest, to yield 3.04%. Award of the issue was won by the group at competitive sale yesterday on a bid of 101.159%.

Net proceeds from the sale of the bonds will be added to the general corporate funds of the company and will be utilized for construction purposes as required. The company's 1954-1956 construction program, it is estimated, will involve cash expenditures of approximately $78,000,000, allocated as follows: power plant facilities, $32,000,000; transmission system, $7,000,000; distribution system, $34,000,000 and all other property, $5,000,000.

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market went through a couple of tests of its stability this week and, by and large, came through well. Its roughest spell came early but where in one session a midday slash of a couple of points had been carved out of the pivotals, the list was able even before the closing gong to rally smartly enough to whittle the eventual loss down to nominal scope.

* * *

Encouragement was gleaned from an imposing array of facts. For one, individual favorites were able to shake off moments of pressure and spurt impressively right in the middle of general heaviness. A notable case was American Distilling which bounced to a new high posting for the last several years on a gain that ran to a dozen points in a couple of weeks. Moreover, it was achieved in the face of a generally bleak appraisal of whisky stocks which has kept the rest bumping on their 1953-54 lows repeatedly. Schenley was notable on this week's new low list, for instance. The specific reason for American's popularity were unconfirmed rumors of a return of the "dividend-in-kind" idea that once gave the liquor issues a play. American's last such payment were whisky purchase rights a full 10 years ago.

* * *

Another of the aspects that kept bullish enthusiasm going was that volume tended to fall on heaviness and expand on strength. While the better gains of the last two weeks were scored on trading of more than two million shares, the setbacks of the week were registered on something like 15 to 20% less activity.

* * *

Tax Selling Nil

A third source of consolation to those constructively inclined was that income tax time passed without anything like the traditional tax selling of early March to be absorbed. This seasonal pressure had come to be a regular phenomenon, particularly in recent years. That most of the portfolio cleaning up seems to have been done earlier, with stocks in strong hands for what comes next, was taken as a hopeful sign.

* * *

Another facet that contributed to the good feeling was that the political maneuvering in Washington, which threatens to upset the relief measure on double taxation of dividends, didn't lead to any undue market reverses although the measure is credited with being among the principal sources of strength that have carried the industrial averages to levels only exceeded in history in 1929.

* * *

Oils-Aircrafts Buoyant

Oils and aircrafts were singled out for the better plays in this week's market, keeping them buoyant despite the general market action. Douglas Aircraft in particular was a good performer. The stock that was split 2-for-1 in 1951 worked back to roughly the same price for a 100% improvement in less than three years. And a new split is forthcoming as soon as the legal motions are completed.

* * *

Interest also centered on the Williston Basin to a degree again, as Skelly was bid up somewhat sharply at times on its progress in the area. It set off a general play in the Getty group, Skelly itself adding better than 10% in value in a single session and carrying Mission Corp., Tide Water, Pacific Western and Mission Development uphill with it. Some other rousing performers on occasions included Sun Oil and Texas Land Trust in response to a spin-off of its lands in order to become an operating company. The only discouraging note was that these runups had to contend with profit-taking of sizable proportions before they could extend their gains too far.

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American Telephone, the issue popular with more than twice as many stockholders as any other publicly held issue, ran into a bit of trouble after making up its famous $2.25 quarterly dividend in a couple of sessions. Its recovery, in fact, coupled with the various adjustments made on debenture interest and pro-rata capital dividend computations, sort of outpaced the arbitrageurs and the bond market and it suffered a couple of rather sick sessions. Its losses per session of about a point, while miniscule against its price of $164 or so, nevertheless were harder handling than the issues normally get in pedestrian markets.

For the standard issues—steels, motors and chemicals—it was largely a waste of time. du Pont succeeded in nudging its high upward a bit but Allied Chemical was a bit irregular although it held for the most in a rather narrow trading band. du Pont, like Douglas Air, has made significant postwar progress, its best recently equivalent to nearly $450 against the less than $200 that the issue commanded before its 1949 split of 4-for-1.

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Corn Products Static

Corn Products Refining, which recently turned active after years of inactivity, was harshly treated on a couple of occasions. This issue has held in approximately a 10-point spread for more than four years and the 1954 range has been an even narrower one. It made its peak in 1951, incidentally, although it is one of the components of the Dow industrial average which indicates prices are far above 1951 levels.

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Steels were far more familiar with the minus side this week than with plus signs but changes for the most were inconsequential. Bethlehem was able to show wider moves than most of the others but its daily changes seldom ran as much as a point. Not only declining production rates but anticipated red-ink reports for the first quarter for some of the smaller companies were credited with stemming enthusiasm for the group.

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Rails Remain Apathetic

Rails continued to drag and the debate in the Street over how far the industrials can extend their gains in the Spring without the cooperation of the rails was a lively one. The classical school of thought, naturally, sees little additional push left for the industrials unless the rails wake up. The other view is that the markets of the last few years have been so selective and so heavily slanted in favor of the blue chip, hence "average" stocks, that the average of the industrials no longer is tied as closely to rail action as was the case in previous bull swings. The lag in the rails, however, is keeping the majority of analysts at least cautious.

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New York Central continues to ignore the battle for its control being put on by Robert R. Young. Whether he wins or not, it probably would be the first such battle of titans that went on without market repercussions, unless Central subsequently goes into convolutions in the less than a month before the record date arrives. Up to now, anyway, it has been on the heavy side most of the time since the initial speculative whirl it had when a fight appeared definite.

Tobaccos for a change stood their ground in the face of more smoking-cancer allegations, these being those of the New York State study. The movie issues simmered down, too, and the coppers had ended, at least temporarily, their rebound from their bottoms on firmer prices for the red metal.

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The utilities meandered along for the most with a half-hearted play in Duquesne Light running out of strength rapidly. The mild demand was a consequence of this conmpany's designation as a producer of power from atomic energy.

[*The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.*]

C. B. Harding Director

Charles B. Harding

Charles B. Harding, senior partner of Smith, Barney & Co., investment banking firm, has been elected a director of Union Sulphur and Oil Corporation, according to an announcement by Richard T. Lyons, President of Union Sulphur.

Mr. Harding replaces Herman F. Whiton who has resigned from the Union Sulphur board and as Chairman of the board. Mr. Whiton had been President and chief executive officer of Union Sulphur for a period of several years until Nov. 1, 1952. At that time the principal executive offices of the company were established in Houston, Texas and Richard T. Lyons became President and chief executive officer.

W. A. W. Stewart and Barklie Henry retired from the board with Mr. Whiton, Mr. Lyons announced.

N. Y. Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the membership of Charles E. Stewart to John J. Flanagan will be considered by the Exchange on March 25.

Eintein & Stern will dissolve March 31.

Kate Viner retired from limited partnership in Edward A. Viner & Co., on March 15.

Howard & Neuman With The Marshall Company

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Samuel W. Howard and George F. Neuman have become associated with the Marshall Co., 765 North Water St. Mr. Neuman was formerly for many years with Riley & Co. Mr. Howard was Wisconsin Rapids representative for Riley & Co.

Must Living Standards Decline?

By LEOPOLD KOHR
Assistant Professor of Economics, Rutgers University

Contesting the generally held view that current living standards in the United States are the highest the world has ever enjoyed, Prof. Kohr maintains "the only thing we can say for certain is that there has probably never been a generation that was more accessible to delusion of its own excellence than ours." Holds our present living standards are not only lower than in past but are lower than in some smaller countries. Points out as "a process of impoverishment," the decline in large estates, reduction in amount of food individually consumed, the resort to apartments instead of houses as living quarters, and the conversion of housewives into housemaids. Concludes, though, communities have grown richer, but individuals are poorer, despite increased productivity.

Many will remember the issue of "Life" magazine showing in a series of impressive pictures the stupendous rise of the American standard of living experienced during the past half century.[1] After first looking at a table full of food which, according to the magazine, an average du Pont worker was able to buy with his daily wage in 1950, and then glancing at the skimpy table uncrowded with the food items of an average worker of the year 1900, one not only developed a feeling of sorrow for the poor conditions of the past. One actually began to feel hungry oneself.

Dr. Leopold Kohr

Of course there is nothing new in the widely accepted idea that the standards of our age generally, and those of the United States particularly, are the highest the world has ever enjoyed. Our economic textbooks have told us this all along, and so have our statisticians, our politicians, and our commentators. What is new is that, in spite of the elaborate evidence displayed before our avid eyes, the picture seems all wrong. The only thing we can say for certain is that there has probably never been a generation that was more assessible to the delusion of its own excellence than ours.

For our present standard of living seems not only lower than that of our own past; it seems even lower than that still enjoyed by some of the smaller countries such as Switzerland, Sweden, or the miniature principality of Liechtenstein. That is why an American, if he really wants to get something for his dollars, must travel abroad these days. For who of us in New York or Chicago can still afford maids? Who a coachman? Who a cellar full of exquisite wines? And who a table rich with the untold variety of delicately prepared dishes? Instead of becoming more opulent as our income rises to its famous record heights, we seem to abandon every year something we could afford when, according to the statisticians, we must have had less. In 1936, when my income was considerably lower than it is today, I drove a racy sports car and had breakfasts consisting of fruit juice, two eggs, toast, and two cups of coffee. As a college professor in 1954, with an income that ranges me, as I can read from the books which I am myself teaching, amongst the upper 30% of the population, I am the desperate user of buses which are overcrowded because others have to give up their cars, too, and content myself with a breakfast consisting of two cups of coffee and a single roll.

1 "Life," Nov. 19, 1951.

A Process of Impoverishment

Wherever we look, we seem to see the same pattern of a spiral pointing downward. Those who once owned great estates, now live in modest houses as, for instance, Mr. du Pont who recently turned his palatial residence at Winterthur, Del., into a museum to serve, henceforth, as a monument to the style of living of his ancestors, not his own. The richest men, in the richest capitalist country on earth, must thus go the same road of impoverishment as the rich of the second richest country on earth, Great Britain, where a man such as Lord Halifax had to abandon his castle and move into his stable. This may mean progress and democracy to our experts. But it rather shows what sort of standards our allegedly retarded ancestors must have enjoyed if the stables of then are good enough to house a Lord now.

If this process of impoverishment were confined to the rich, one might be reconciled with it in view of the rising standards of the poor. But this is the point. Where is the mythical individual who felt the tickle of a single additional dollar in his pocket as a result of some Rockefeller or Ford having given up a million? The very opposite is happening. Along with every diminution of the wealth of the rich, the wealth of the poorer is whittling away at the same time. Thus, as those who once owned estates now live in houses, those who once could afford houses now live in apartments. Those who previously drank wine with their meals, now drink water, and those who had maids, now have none.

Regarding the latter it is often said that the disappearance of maids is precisely a sign, not of declining, but of rising standards of living, for those who were previously servants are now housewives and business women. Quite. But servants entering these coveted ranks did so in the expectation of being relieved of the chores of house work by being themselves now the employers of maids. That is why they coveted these higher social levels in the first place. But what did they discover? That their very act of entering these ranks depressed them to the level of those they had just left. They still must do all the work themselves and, in addition, must carry the burden of responsibilities not had before. Instead of turning every maid into a housewife, our vaunted progress had turned every housewife into a maid.

The experience of our declining living standards is so overwhelming that it seems extraordinary that so many of us should still be convinced of the opposite. Yet, there is a reason for this delusion. While our personal standard has declined, our productivity has experienced a gigantic increase and, along with our productivity, our social standard has risen to previously unknown levels. As a community we are indeed richer than we ever were before. Thus, what we have lost as individuals in the enjoyment of personally useful goods, we have gained as a nation in socially important commodities such as elaborate transportation and communication facilities, the world's best equipped armies to defend our far-flung frontiers or, as in Great Britain, free medical and legal services.

The only trouble with this picture is that the high standard of society, the community, or the nation as a whole, pleasant as it may be as a by-product, is utterly meaningless as an aim in its own right except in the eyes of those who put the group ahead of the individual and, appropriately, call themselves Socialists, Communists, or Nationalists. They will, of course, delight in the expensive splendor, power, and standards of their social organism and its representatives in whose glory they find consolation for their own deprivations.

But it is different with a democrat who, by definition, ought to be an individualist, not a societist. He is interested in the welfare, not of the group, but of the individual. Up to a certain point, the interests of the two coalesce, and can be served at the same time, so that the improvement of group standards raises simultaneously the standards of the individual. But when a society becomes too big and too powerful, its geometrically increasing demands soon assume such monstrous proportions that they can be satisfied only at the expense of individual standards. From then on, every increase in productivity is absorbed in the bottomless barrel of social requirements. Instead of butter, the citizens of an overgrown society such as exists in all of our modern great powers must then produce guns or, at best, margarine; instead of private gardens, public parks; instead of homes, institutions; instead of best dressed civilians, best equipped soldiers; instead of pleasure yachts, efficient subway services.

Our Personal Standards Not Raised

Naturally, all these add up to staggering totals and to a picture of great national wealth which delights our macroeconomists. But do they raise our personal standards? By no means! They are all goods which are needed, not wanted; necessities, to keep us afloat, not luxuries, to give us ease. Instead of being the sign of our advance, they are the measure of our servitude. That is why we envy those who can do without them, not those who have to make use of them. For who, except a child or an adolescent train maniac, would enjoy a ride in a subway, even though it be the world's most efficient, and may cost only a dime? And who would enjoy depersonalized skyscraper hospitals, lunatic asylums, or prisons, however modern and luxuriously appointed they may be? No one except madmen or those strange living-standard experts who try to prove that their possession is the symbol of our welfare rather than our misery. The only commodities in which our mass societies abound are thus not those of which we dream when we have dreams of wealth but those which, instead of improving our condition, merely help us cope with the difficulty of living in vast multitudes which they have created.

This is the reason why there is nothing strange in the fact that the present living standards of the United States as well as of all other great powers are lower not only than those which they themselves could afford in the past when life within their frames was less crowded and pressing, but also those which can still be afforded in many a smaller country today. For the larger the social organism, the clumsier is its governmental apparatus, the hugher its problems, the more envied its wealth, the more dangerous its existence, the greater its army, the more powerful its government —and the more urgent the need of subordinating individual desires to the survival requirements of society as a whole. Hence, little can be spared to benefit the individual at the same time when, paradoxically, the standards of the society of which he forms part, may reach their pinnacle. On the other hand, the smaller the country, the less is it necessary to press its citizens into exacting social service, the more is it in a position to let them keep the fruit of their efforts for themselves.

Increasing Size and Population Density

The problem of declining living standards is thus more closely linked to the increasing size and population density of the social unit within which we live than to economic productivity, which may be gigantic, and yet benefit not a single individual. In fact, if we compare the conditions under which the citizens of the world's great powers such as China, Russia, Great Britain, France, live, with those enjoyed in small states such as Denmark, Sweden, Switzerland, or Liechtenstein, we may formulate this relationship with still greater precision and say that, once a community has passed the optimum limits of internal and external growth, the level of personal living standard begins to vary inversely with the community's size and rate of further expansion. From then on, the sheer problem of maintaining itself becomes so complex that every increase in productivity must by necessity be diverted into assisting the group rather than its members. Not even the richest country on earth could increase the production of both social as well as personal consumer goods indefinitely, since the very fact of its growing power and wealth as a community depends ultimately on the degree to which it is able to deprive the citizen of an ever increasing share of his work.

The United States was the last of the great powers to reach this stage. Up to, and during, World War II, with our strength not yet fully developed, we were able to increase our output of guns along with that of butter. This is why "Life," had it compared the conditions existing at the turn of the century with those of the year 1945 instead of 1950, would have been substantially correct in its assumption of our steadily rising standard of living. But since then, a significant change has occurred. Not only has our power fully matured. Under the impact of the new and unexpected dangers of the postwar world, we were forced to expand it even further with the result that, at last, we too had to pass that fatal point in the development of human society at which social and individual welfare, previously complementary, become mutually exclusive.

The "Severer" Individual Pinch

This can be seen from the increasing frequency with which we read such headlines as the one according to which President Truman's Director of Defense Mobilization, Charles E. Wilson, forecast in 1952 "higher production but 'severer' pinch."[2] Expressed differently, this meant nothing other than the offer of a higher social at the price of a lower personal standard of living. Nor has the advent of the Republican Administration changed anything in this, to judge from the repeated postponement of promised tax reductions or the admission of Mr. George M. Humphrey, President Eisenhower's Secretary of the Treasury, that the Government may be forced not only to raise the national debt which it had previously thought to reduce, but to ask Congress to raise even the legally permissible debt limit above the present ceiling of $275,000,000,000.[3] True, both Mr. Wilson and the spokesmen of the Republican Administration forecast at the same time that the pinch will level off once our armament program has reached its peak. But it is in the nature of all military programs of great powers, particularly of the last two contenders for world supremacy, that they have no peak. For the moment one has been reached, still higher altitudes must immediately be scaled to keep abreast of the opposing power which is likewise continuously driven upward in its hot pursuit of identical ends.

This is the reason why Sir Basil Zaharoff, the famous munitions magnate of the earlier part of the twentieth century, has so appropriately called armaments the only commodities defying the law of diminishing utility. The more one has of them, the more one wants. It is also the reason why the United States must become reconciled to the idea of following in the footsteps of all other great powers. This means that, in order to increase our military strength at the geometrically rising rate which each increase in the strength of the opposing force necessitates, we have no other choice than to do the same thing Russia and Great Britain have found necessary to do long ago — pay for our high degree of social and national fit-

2 See New York "Times," Jan. 7, 1952.

3 See New York "Times," May 9, 1953. A tax reduction has been achieved a year after the advent of the Republican Administration, but whether this will result in consumer benefits is highly doubtful, particularly in view of the simultaneously increasing momentum of a concurrently developing recession. Because of this as well as for reasons of defense, a temporary reduction in taxes and government spending will as inevitably be followed by higher taxation and government spending as was the case after a similar reduction experiment in 1948.

ness by lowering our personal standard of living.[4] Or, as President Eisenhower said: "There is no sacrifice—no labor, no tax, no service—too hard for us to bear to support a logical and necessary defense of our freedom." But whose freedom did he have in mind? Clearly that of our society, not of the citizen for whom there is nothing left but labor, tax, and service — a triumvirate that can hardly be called freedom.

4 Analyzing the deceptive euphoria resulting from the publication of figures indicating an enormous output increase in Great Britain, the "London Times" of Sept. 5, 1953, comes to the sober conclusion that "in the past two years the aggregate volume of goods and services on which earnings could be spent has actually fallen. The proportions which different groups of income earners could take out of the pool could be varied, but the pool was smaller. . . . There is no reason to suppose that the trend which has reflected the country's difficulties since the war will quickly undergo any radical change for the better. There are no easy times ahead."

U. S. Lost Over Billion Of Monetary Gold In 1953

Treasury reports gold purchase abroad has practically ceased.

The Treasury Department on March 8 made public a report of monetary gold transactions with foreign governments and central banks for the calendar year 1953. For the year as a whole, the outward movement of monetary gold from the United States amounted to $1,166 million; the only U. S. purchase of monetary gold during 1953 was that of $4 million in the fourth quarter. These figures may be compared to U. S. sales of $331 million and U. S. purchases of $725 million in calendar 1952.

The gold outflow continued at a substantially reduced rate in 1954. Net sales in January and February, not yet available for publication on a country-by-country basis, were $48.1 million and $9.7 million, respectively.

Lester Reeve With F. S. Smithers & Co.

F. S. Smithers & Co., One Wall Street, New York City, members of the New York Stock Exchange, have announced that Lester E. Reeve has been appointed Research Manager for the firm. With his broad investment background that includes varied phases of the business, Mr. Reeve joins the firm after 16 years with Lazard Freres & Co., an investment firm, where he was Assistant to the President.

Burton, Cluett to Admit

Burton, Cluett & Dana, members of the New York Stock Exchange on April 1 will admit Ralph S. Riggs to partnership. Mr. Riggs is manager of the Washington, D. C. office, 1001 Connecticut Avenue, N. W.

On March 31, Robert Cluett, III, will withdraw from the firm.

Josephthal to Admit

Josephthal & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will admit Oscar W. Petersen to partnership on April 1.

Opens Office

Clara S. Ballentine is engaging in a securities business from offices at 549 Academy Street, New York City.

Form M. D. Blauner Co.

Milton D. Blauner & Company, Inc. is engaging in a securities business from offices at 20 Broad Street, New York City. Mr. Blauner in the past was a partner in Otto Fuerst & Co.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Appointment of Franklin P. Christman, William Hotra and Chester T. Needham as Assistant Secretaries of **Manufacturers Trust Company, New York** was announced on March 12. All three men are officers in the Bank's Personal Loan Department.

Mr. Christman came to the Trust Company from the Federal Reserve Bank of New York. He will be Officer in Charge of Personnel in the Personal Loan Department.

Mr. Hotra joined the bank in 1936 and will be an Administrative Assistant to the Executive Officer.

Mr. Needham came to the bank in 1947 and will be in charge of Personal Loan Committee.

Appointment of Robert A. Henry as an Assistant Vice-President and Francis X. Reed as an Assistant Secretary was also announced on March 18 by Mr. Flanigan.

Mr. Henry came to Manufacturers Trust in April, 1937.

Mr. Reed came to Manufacturers Trust after service in World War II.

Both Mr. Henry and Mr. Reed are assigned to the 513 Fifth Ave. Office of the bank.

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Bank of the Manhattan Company, New York has named William J. Schusel Assistant Manager of their office at 104-17 Queens Boulevard, Forest Hills, New York.

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The 25-Year Club of **Union Dime Savings Bank, New York,** held its ninth annual dinner on Monday, March 15.

The dinner this year was in honor of three new members of the club: M. Bernard Cooke, Ross D. Hill and John O'Donnell. J. Wilbur Lewis, President of the bank, presented 25-year pins to the new members.

The three members joining the club this year bring the total membership to 46, including several retired members of the bank's staff.

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Edwin H. Biederman, Assistant Vice-President of **The Dime Savings Bank of Brooklyn, N. Y.** retired on March 11 following completion of 35 years service with the bank, it was announced by George C. Johnson, President.

A veteran of World War I, Mr. Biederman joined the bank's staff as a teller, Feb. 5, 1919. He was made an Assistant Secretary in 1932 and was promoted to Assistant Vice-President, April 17, 1947. For the past seven years he has been the officer in charge of banking floor operations at the main office and the three branches of "The Dime."

Clinton L. Miller, of East Williston, L. I., who has been with the bank for the past 30 years, and who has been Assistant Vice-President in charge of advertising and public relations since 1941, assumed the duties Mr. Biederman relinquished upon his retirement.

Thomas Blake, Jr., of Malverne, L. I., who is now Purchasing Officer and also a member of the bank's staff for the past 30 years, has been placed in charge of advertising and public relations.

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John W. Hooper, President of the **Lincoln Savings Bank, Brooklyn, N. Y.** announced that the board of trustees had declared, for the quarter ending March 31, 1954, an extra dividend at the rate of ¼ of 1% a year, in addition to the usual dividend at 2½% per annum.

Mr. Hooper, also announced the passing of Joseph T. Stephens, a Trustee of the Bank. Mr. Stephens, formerly of Brooklyn, died at Mt. Kisco, N. Y. on March 16, following a heart attack.

Mr. Stephens had been a resident of Brooklyn most of his adult life. He had been elected a Trustee of the Lincoln on March 11, 1953, having devoted the major part of his life to the banking profession.

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Consolidation of the **Great Neck Trust Company, Great Neck, N. Y.** and the **Franklin National Bank of Franklin Square, N. Y.** under the name and charter of the latter, became effective March 5, it was announced by Arthur T. Roth, President of the Franklin National.

The Great Neck Trust Company from now on will be known and operated as the Great Neck Office of the Franklin National. Mr. James K. Ryan, formerly President of the Great Neck Trust Company, will be Vice-President in charge of the new office and a Director of the consolidated Bank. All of the employees will remain in their present positions.

The Franklin National with this merger, has capital funds of $15,000,000 and total resources of approximately $220,000,000. Other banking offices are located in Franklin Square, Elmont, Rockville Centre, Floral Park, Levittown, Farmingdale and Bellmore.

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The promotion of Arden N. Smith from Assistant Treasurer to Assistant Vice-President has been announced by **The County Trust Company, White Plains, N. Y.** Mr. Smith heads the Credit Department of the bank's Port Chester offices.

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Buffalo Industrial Bank, Buffalo, N. Y. was given approval by the Banking Department of the State of New York, on March 5, to increase its capital stock from $500,000, consisting of 50,000 shares of the par value of $10 per share, to $625,000, consisting of 62,500 shares of the same par value.

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A stock dividend effective March 5, **The United National Bank of Cliffside Park, N. J.** increased its common capital stock from $200,000 to $300,000.

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The Peoples National Bank and Trust Company of Monessen, Pa., with common capital stock of $225,000 went into voluntary liquidation, effective Feb. 26 and was absorbed by **Mellon National Bank and Trust Company, Pittsburgh, Pa.**

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Equitable Security Trust Company, Wilmington, Del., and the **First National Bank, Dover, Del.,** merged under the charter and title of **Equitable Security Trust Company,** effective March 1. A branch was established in the former location of the First National Bank.

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By the sale of new stock effective March 3, **The Citizens and Southern National Bank of South Carolina, Charleston, S. C.,** increased its common capital stock from $1,500,000 to $1,875,000.

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The National Bank of Commerce in New Orleans, La., announced the death of their Vice-President Mr. W. W. Sutcliffe, Jr., on Feb. 5.

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S. Clark Beise, son of a country doctor, and one who as a youth yearned to be a banker rather than follow his father's profession, had achieved the highest post in private enterprise banking.

S. C. Beise

Mr. Beise has been named President of **The Bank of America, San Francisco, Calif.,** world's largest bank. He was elected to that office on March 16 by the bank's Board of Directors as successor to Carl F. Wente.

The appointment takes effect at the month end, when Mr. Wente attains the age of 65 and retires as an acting operating officer of the bank. Mr. Wente will retain his seat on the board, however, and will also maintain some of his committee appointments.

Mr. Wente had previously retired at 60, but was called back to take the presidency on the death of L. M. Giannini in August, 1952.

The position of senior Vice-President currently held by Mr. Beise will not be filled at this time, it was stated. Fred a Ferroggiaro, Senior Vice-Chairman of the Board and Chairman of the general finance committee, will assume the responsibility for acting as President during the latter's absences.

Mr. Beise, the new President, was one of the "Discoveries" of A. P. Giannini, founder of the bank. A graduate of University of Minnesota, Mr. Beise had served with banks in that state and Michigan, and in The Ninth Federal Reserve District as a national bank examiner, before coming to California to examine banks in the Twelfth District.

After seeing him in action Mr. Giannini invited the young banker to join the Bank of America organization, which he did in 1936. Mr. Beise earned rapid promotion to Vice-President, then to Executive Vice-President, was elected to a seat on the board of directors, succeeded Mr. Wente as Chairman of the Managing Committee in 1949, and attained the post of Senior Vice-President in 1951.

Following ths afternoon's board meeting Mr. Beise stated he stood solidly for the Giannini banking philosophies on which the institution had been built. "It was the dynamic spirit of this organization that attracted me to it," he said, "and I intend to do all I possibly can to keep that spirit alive and to maintain the Bank of America as the leader in modern, enlightened banking."

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John W. Carpenter has been elected a member of the board of directors of the **Republic National Bank, Dallas, Texas,** according to an announcement by Fred F. Florence, President of the bank.

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The First National Bank of Los Altos, Calif., increased its common capital stock effective March 3 from $150,000 to $250,000 by sale of new stock.

G. Ebin Opens Office

Gala Ebin is engaging in a securities business from offices at 575 West End Avenue, New York City.

Family Income Planning

AMITYVILLE, N. Y. — Family Income Planning, Inc. has been formed with offices at 201 Bayview Avenue, to conduct a securities business.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The cut in the prime rate from 3¼% to 3% by the large New York banks, together with the favorable rate of .0956% on the recently offered 94-day tax anticipation bills, gave the government bond market an impetus that served to push prices close to their highs for the year.

The action of the market for Treasury obligations is giving evidence that further progress will be made on the upside by most of these issues because there is an ample supply of funds around that must be put to work even though commitments recently have not been as sizable as they were not so long ago. The small amount of hesitation that has been evident appears to be due largely to the feeling that prices have gone ahead a bit too sharply and it would not be unexpected or unfavorable for the market to react a bit. However, according to reports, the amount of bonds that have come in for sale and which might have a bearing on the market's course of action have not been large enough to bring about even a very minor correction.

Because of the belief that the long government market could advance to levels that might not be beneficial to holders of these securities, it is the opinion of many money market followers that a long-term bond, in not too sizable an amount, will be offered by the Treasury before the current fiscal year is over.

Market Feeling Its Way

The government market, according to money market specialists, is in one of those in-between periods which means that until more tangible developments take place—and they will take place in the not too distant future—price trends of Treasury obligations will most likely be governed by what the financial district believes the Treasury will do in the way of a new money offering. The use of tax anticipation bills was no doubt mainly for stop gap purposes in order that the powers that be could have more time in which to see what might develop in the business pattern. In addition, there is the question of the debt limit, which has not been settled yet but which might be resolved before the tax anticipation bills have matured.

Continued Money Ease Expected

With the market in an improved technical position which will be more evident when the tightness of the income tax payments begins to wear off, the demand for the higher income Treasury obligations will again be asserting itself. Money is available for the purchase of government issues and these funds will be going into Treasury obligations because it is important that income be maintained. Also the outlook is for continued easy money because the business pattern has shown a greater deterioration than was expected not so long ago. As long as economic conditions are going to be on the defensive there is no reason to believe there will be anything but easier money conditions. This seems to indicate that a further reduction in the rediscount rate would not be unexpected while a lowering of reserve requirements would most likely be a part of the easier money pattern.

How High Will Prices Go?

The easy money conditions which have been with us for quite a spell now will continue and this will keep the pressure on the higher income government obligations. Because the supply of these securities is not increasing, it is understandable why quotations have advanced as sharply as they have. This brings up the question as to what levels will prices of the outstanding marketable long-term government bonds go with the continued easy money conditions.

There have been instances in the not too distant past when quotations on the most distant government obligations went to levels that were not only ridiculous but were also very dangerous. This was proved when it was necessary to move away from the "pegged" and protected government bond market because of the inflationary developments that had come about due to the very easy money conditions which were being fostered by the monetary authorities. Long-term issues of government bonds went down in price over a period of time (with the sharpest part of the decline taking place in a very short space of time) to levels that made the owners of these securities very unhappy, to say the least, over what had happened.

It was the same old story again of having to sacrifice the government bond market in order to effect deflationary monetary measures that would have a greater benefit for the economy as a whole.

New Long-Term Issue Indicated

To be sure, the longer-term 2½% bonds have just made it back to the 100 level and there is no doubt but what the rise in quotations for these securities has created a much different attitude towards the whole government market. Likewise, there has not been any increase in the supply of long government bonds for quite a spell which means that the outstanding ones have been pretty well digested by now. Investors have funds which must be put to work and unless there is a new issue of long-term government bonds, the outstanding ones will have to be bought. This could drive up prices of the longer-term 2½s and the 3¼% bond to levels that might not be favorable for the market. It would not be a good thing to have another sharp setback in the government bond market because prices got out of hand and went up too high and too rapidly.

Accordingly, it seems as though a new issue of a long-term government bond, even if only of the token variety, will be offered in the near future in order to keep the long-term market from getting too far out of line.

Investors Did Not Fare So Well in '53

Albert Y. Bingham, Vice-President of Chicago Title and Trust Company, contends, even on assumption of a gain of 10 points, investors had extremely high odds against them last year.

Investors in common stocks did not have as much chance to make money in 1953 as one might think. This is the conclusion of Albert Y. Bingham, Vice-President of Chicago Title and Trust Company and head of the companys investment division.

On the assumption that a gain of 10 points is the minimum to provide a worthwhile profit on shares held for one year, Mr. Bingham pointed out that an analysis of the 1953 market from this point of view shows that investors had extremely high odds against them last year.

Mr. Bingham points out that of the more than 1,600 common stocks listed on the New York Stock Exchange, only 22 rose more than 10 points during 1953. This was less than 2% of the stocks listed. A number of these were high priced issues, such as International Business Machines and du Pont, for which an advance of 10 or 11 points represented a small percentage of gain. There were only a half dozen stocks in the entire market where the advance in relation to cost was significant. Examples were Scott Paper, Pennsylvania Glass and Sand, New York Shipbuilding, Gillette, and Cincinnati Milling Machine.

Mr. Bingham gave the following breakdown by industries of the 22 stocks that rose 10 points or more in the past year, as shown in the analysis prepared by the Chicago Title and Trust Company's investment division:

Air conditioning	2
Aircraft	1
Chemical	3
Electrical	1
Food	1
Office Equipment	1
Machine Tools	1
Oil	1
Paper	2
Railroad	2
Shipbuilding	1
Textile	1
Miscellaneous	5

The analysis also reveals that there were 88 common stocks which **declined** 10 or more points last year and another 67 dropped sharply although not as much as 10 points. Of the 88 which went down more than 10 points, there were a number which declined considerably more than 10 points, Chrysler (36⅝), New York and Harlem (35), Texas Pacific Land Trust (50½), Texas Gulf Sulphur (29½), St. Louis Southwestern (76), U. S. Smelting (28¼), Northern Pacific (28½).

The breakdown by industries of stocks that ended the year 10 points or more lower is as follows:

Auto	2
Auto Accessory	8
Chemical	2
Coal	6
Drug	1
Farm Equipment	3
Fertilizer	2
Food	3
Gas Pipe Line	1
Investment Trust	1
Iron & Steel	2
Machinery	2
Mining	11
Office Equipment	1
Oil	11
Radio-Television	3
Railroad	14
Textile	7
Miscellaneous	8

There is no public utility or airline stock in either group. American Smelting, Chrysler and International Nickel, three Dow-Jones Industrial Stocks, were among those down 10 points or more. Du Pont and General Electric were the only Dow-Jones Industrial Stocks to rise at least 10 points last year.

The analysis showed there were also 45 preferred stocks which dropped 10 points or more in 1953 and only six preferreds rose by that amount. Of the six strong preferreds five are convertible and the sixth—United Dye and Chemical—is expected to benefit from a recapitalization plan.

Mr. Bingham stated, "The Dow-Jones summaries and other reports seemed to indicate—on the average for the year—a reasonably strong market. Yet, the great majority of individual investors as well as investment trusts have found in looking back on the year that their gains were small or non-existent. Many person have been telling themselves that it was just their particular holdings which failed to advance substantially. In reality, only a handful of common stocks increased in value in 1953.

"It required the highest skill, experience and research to make money in the market last year, the year's record business volume notwithstanding. The odds against doing so were very high."

With Garrett Bromfield

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Robert F. Baroch has been added to the staff of Garrett-Bromfield & Co., 650 17th Street, members of the Midwest Stock Exchange.

"Investigate, Invest And Watch"

In the final lecture on March 11, of a series of six in an Adult Education Course of the Greenwich Y.M.C.A. on "How to Make Investments"—a series given in cooperation with the New York Stock Exchange—Joseph A. Lettman, a graduate of Boston University, associated with Merrill Lynch, Pierce, Fenner and Beane, members of the New York Stock Exchange, took for his theme "Investigate, Invest and Watch." The series of lectures were designed to broaden the education of those interested in becoming investors.

Joseph A. Lettman

Mr. Lettman told his audience that once the prospective investor has selected his category he then designates an industry suitable to his objectives, whether of the defensive, growth, or speculative type, and from this industry selects the company or companies to consider. Once the company has been selected, it is necessary to examine next whether or not a bond, preferred or common stock is most suitable. Then he followed with a discussion of the relative characteristics of these three types and their function in a company's program.

Under the approach to the selection of the company and the specific security, advice was given by Mr. Lettman as to the procedure in seeking competent advice and caution as to the selection of any security on the basis of mere rumor or "hot tips." Next the investors were advised with regard to the timing of a purchase with suggestions made as to the selection of a security price-wise—not trying to buy at the bottom and sell at the top, etc., and a discussion of forecasting in relation to the market and the various approaches to the development of facts and figures to assist in determining whether or not a security is at a point of desirable purchase.

Several moments were devoted to a discussion of the dollar averaging method of investment and one or two studies were cited to indicate how this method functions over a period of time.

There were a number of questions concerning the advantages and disadvantages of selling short and these were explained by Mr. Lettman in detail. Investors were advised to have a periodic review of their securities in order that they may not become complacent about any specific company held. Oftentimes, by virtue of changing economic conditions, the speaker noted, it is necessary to consider switching from one company into another.

A brief discussion of the commodity markets and how they function in our economy was given with specific instances of how the futures markets function for both tradesmen and speculators.

The presentation of the above material was followed by a question and answer period lasting three-quarters of an hour. This afforded the audience the opportunity of probing into areas of thought which were of particular concern to them. Mr. Lettman pointed out that audience participation in this manner appears to offer one of the most excellent means of educating investors, by making them feel they are a part of the over-all discussion.

THE TEXAS COMPANY

and Subsidiary Companies

TEXACO

HIGHLIGHTS

From the Company's 1953 Annual Report

	1953	1952
Financial		
Net income	$ 192,600,078	$ 181,242,172
Net income per share	$ 7.01	$ 6.59
Cash dividends paid per share	$ 3.40	$ 3.00
Net book value per share (end of year)	$ 50.91	$ 48.19
Total assets (end of year)	$1,805,481,497	$1,736,081,000
Working capital (end of year)	$ 484,710,549	$ 464,126,528
Operating	Barrels per day	
Gross crude oil and condensate produced	433,137	394,331
Crude oil and condensate delivered by pipe lines	566,290	587,260
Refinery runs	543,210	525,130
Refined product sales	554,693	539,548
The Company's interest in operations of non-subsidiary companies, not reflected above:		
Gross crude oil produced	327,691	309,528
Refinery runs	219,903	195,389

CONSOLIDATED STATEMENT OF INCOME AND UNDISTRIBUTED EARNINGS EMPLOYED IN THE BUSINESS

For the Years Ended December 31, 1953 and 1952

	1953	1952
GROSS INCOME:		
Sales and services	$1,558,814,244	$1,510,073,199
Dividends, interest and other income	72,836,455	78,376,942
	$1,631,650,699	$1,588,450,141
OPERATING CHARGES:		
Costs, operating, selling and general expenses	$1,145,040,752	$1,135,043,368
*Taxes (other than income)	48,809,509	46,702,254
Dry hole costs	31,548,693	35,176,058
Amortization of intangible development costs	54,212,941	46,741,996
Depreciation	73,907,189	67,768,408
Depletion and leases surrendered	23,255,249	19,335,508
	$1,376,774,333	$1,350,767,592
	$ 254,876,366	$ 237,682,549
INTEREST CHARGES	6,695,979	6,555,371
	$ 248,180,387	$ 231,127,178
PROVISION FOR INCOME AND EXCESS PROFITS TAXES	52,400,000	47,200,000
NET INCOME BEFORE MINORITY INTEREST	$ 195,780,387	$ 183,927,178
MINORITY INTEREST IN NET INCOME OF A CANADIAN SUBSIDIARY	3,180,309	2,685,006
NET INCOME FOR THE YEAR	$ 192,600,078	$ 181,242,172
UNDISTRIBUTED EARNINGS EMPLOYED IN THE BUSINESS AT BEGINNING OF YEAR**	639,568,264	534,835,584
	$ 832,168,342	$ 716,077,756
ADD:		
Adjustment incident to consolidation of a Canadian subsidiary	—	5,981,621
	$ 832,168,342	$ 722,059,377
DEDUCT:		
Cash dividends declared	93,434,516	82,491,113
Undistributed earnings of subsidiary companies operating in Brazil eliminated from consolidation	24,362,653	—
	$ 117,797,169	$ 82,491,113
UNDISTRIBUTED EARNINGS EMPLOYED IN THE BUSINESS AT END OF YEAR**	$ 714,371,173	$ 639,568,264

* In addition, motor fuel and oil taxes were paid (or accrued) to United States and Canadian governmental agencies in the amount of $283,925,103 during 1953, and $272,849,030 during 1952.

** Includes $25,000,000 appropriated as a reserve for contingencies.

CONSOLIDATED BALANCE SHEET — DECEMBER 31, 1953 AND 1952

ASSETS

	1953	1952
CURRENT ASSETS:		
Cash	$ 147,808,706	$ 126,095,669
U. S. Government short-term securities, at cost	93,063,651	79,662,195
Accounts and notes receivable, less allowance for doubtful accounts	137,641,925	134,797,279
Inventories—		
Crude and refined oil products and merchandise, at cost determined on the first-in, first-out method, which in the aggregate was lower than market	220,411,212	230,114,730
Materials and supplies, at cost	32,823,622	40,879,959
Total current assets	$ 631,749,116	$ 611,549,832
INVESTMENTS AND ADVANCES	$ 130,607,973	$ 140,234,483
PROPERTIES, PLANT AND EQUIPMENT—AT COST:		
Producing	$ 983,952,935	$ 868,718,396
Pipe Line	163,839,985	148,909,247
Manufacturing	484,899,487	461,579,924
Marine	118,140,174	103,072,758
Marketing	249,224,343	254,223,258
Other	8,450,995	7,711,474
	$2,008,507,919	$1,844,215,057
Less—Depreciation, depletion and amortization	990,269,839	887,129,135
Net properties, plant and equipment	$1,018,238,080	$ 957,085,922
DEFERRED CHARGES	$ 24,886,328	$ 27,210,763
	$1,805,481,497	$1,736,081,000

LIABILITIES AND STOCKHOLDERS' EQUITY

	1953	1952
CURRENT LIABILITIES:		
Notes and contracts payable	$ 11,335,345	$ 9,143,744
Accounts payable and accrued liabilities	125,666,995	127,438,973
Estimated Federal income and excess profits taxes (less U. S. Treasury obligations held for payment of taxes: 1953—$62,000,000; 1952—$50,000,000)	10,036,227	10,840,587
Total current liabilities	$ 147,038,567	$ 147,423,304
LONG-TERM DEBT	$ 219,527,543	$ 226,288,949
RESERVES:		
Employes' pension plan	$ 8,951,567	$ 10,015,353
Incentive compensation plan—net	1,944,487	861,902
Total reserves	$ 10,896,054	$ 10,877,255
EQUITY OF MINORITY INTEREST IN A CANADIAN SUBSIDIARY	$ 23,766,960	$ 22,042,028
STOCKHOLDERS' EQUITY:		
Par value of capital stock issued—27,595,248 shares, $25 each, including treasury stock (authorized—40,000,000 shares)	$ 689,881,200	$ 689,881,200
Undistributed earnings employed in the business (including $25,000,000 appropriated as a reserve for contingencies)	714,371,173	639,568,264
Total stockholders' equity	$1,404,252,373	$1,329,449,464
	$1,805,481,497	$1,736,081,000

The foregoing financial statements are taken from the 1953 Annual Report, dated March 17, 1954, to stockholders of The Texas Company, and should be read in conjunction with such report which contains the Notes to Consolidated Financial Statements and the certificate of Messrs. Arthur Andersen & Co., Auditors, accompanying the financial statements. A copy of the report to stockholders may be had upon application to The Texas Company, 135 East 42nd St., New York 17, N. Y. The said financial statements and report are not intended to constitute an offer, solicitation of offer, representation, notice, advertisement, or any form of a prospectus in respect of any security of The Texas Company.

Eisenhower Warns On More Tax Cuts

In nationwide radio hook-up, President stresses defense needs of the nation and voices strong opposition to lowering of income tax exemptions. Warns against continuous Federal budget deficits, but approves some tax changes, including a moderate reduction of double taxation of dividends. Reveals raising individual income tax exemptions to $1,000 would reduce tax-payers by one-third and cost government $8 billion. Wants no reduction of corporation income tax.

Speaking over a nation-wide radio hook-up on March 15, President Dwight D. Eisenhower told of the nation's revenue needs and voiced opposition to substantial cuts in taxes.

The text of the President's address follows:

I would like to talk with you tonight about something that concerns each of us personally and directly—especially on March 15. I want to talk about our taxes — and about the new tax program that the Congress will debate this week.

Pres. Eisenhower

Now I can talk only about a few essential facts in this program because, my friends, this 900-page book is the new tax program, and this 500-page book is the explanation made by the Ways and Means Committee of the House of Representatives to the House regarding this bill. You and I tonight will be discussing only a very few of the items.

We recognize, of course, that taxes are necessary. We know that through taxes our government gets the money to carry on its necessary functions. The most costly is defense.

Only at our peril may we pursue a penny-wise, pound-foolish policy in regard to the nation's security. In the past year, we have been able to make real savings in defense costs. But despite these savings, 70 cents out of each dollar spent by your government still go for defense purposes.

The remaining 30 cents go for many things: To meet our obligations to veterans, to carry on important activities overseas, to pay for the interest on the gigantic public debt, and to do within our country what Abraham Lincoln described as "those things which the individual cannot do at all or so well do for himself."

I know how burdensome your taxes have been and continue to be. We are watching every expenditure of government — to eliminate waste, duplication and luxury. But while we are insisting upon good management and thrift in government, we have, at the same time, asked the Congress to approve a great program to build a stronger America for all our people.

Administration's Aims and Objectives

Thus:

We want to improve and expand our Social Security program.

We want a broader and stronger system of unemployment insurance.

We want more and better homes for our people.

We want to do away with slums in our cities.

We want to foster a much improved health program.

We want a better and a lasting farm program, with better reclamation and conservation.

We want an improved Taft-Hartley act to protect workers and employers.

We want wider markets overseas for our products.

We want—above all—maximum protection of freedom and a strong and growing economy—an economy free from both inflation and depression.

Most of these things cost money. Without adequate revenue, most of them would be abandoned or curtailed. That is why our tax proposal is the cornerstone of our whole effort. It is a tax plan designed to be fair to all. I am sure you join me in the hope that the Congress, before it adjourns, will approve this entire program.

Along with this great plan for America, we want also to reduce your taxes so you can save or spend more of your own money, as you personally desire.

Now to reduce taxes, we had to find some way of saving money, for despite many years of heavy taxation, our government has been running deeper and deeper into debt. A year ago, this Administration inherited a budget calling for a spending program that we have since reduced by $12 billion. Of this total saving, $7 billion is being made this year.

Now, $7 billion is so much money — even in Washington— that it's hard to know what it really means. Let's see if we can get some idea of how much it is.

The money American farmers got last year for all the corn and all the wheat grown in our entire country was $7 billion.

The money Americans paid in all of last year for household utilities and for fuel amounted to $7 billion.

The money Americans pay each year for doctor, dentist, medical and hospital bills is $7 billion.

I think you will agree that we have, indeed, saved a lot of money. Without these savings there could have been no tax relief for any one. Because of these savings, your tax cuts were possible.

Some Tax Cuts

On Jan. 1, this year your taxes were cut by $5 billion. The tax revision program now in Congress will cut taxes by over $1.5 billion. The total may be nearly $7 billion. Thus the government is turning back to you about all that we expect to save this year. Meanwhile, we are seeing to it that the government deficit, instead of growing, may continue to shrink.

Now, in the light of all this, let's look at the tax program now in Congress.

To start with, it is the first time in half a century that our tax laws have been completely overhauled. This long overdue reform of old tax laws brings you benefits which go beyond the tax reductions I have just mentioned. Millions of individual taxpayers — many of you listening — will benefit.

Here are some examples:

You will have larger deductions for your medical expenses.

There will be special deductions for the cost of child care for those among you who are widows who work.

Fairer tax treatment for the widows of policemen and firemen and others who have fraternal or private pension plans.

Fairer tax consideration for those of you who are retired.

Deductions of up to $100 a week for those of you receiving sickness or accident benefits.

There are, in addition, important provisions to encourage the growth and expansion of industry, the creation of jobs, and the starting of new and small businesses.

One of these provisions is of particular interest to those among you who have made or want to make investments to help meet the expenses of a growing family or of old age.

Proposed Dividend Tax Reduction

This year we propose to reduce by a moderate amount or percentage the existing double taxation on dividend incomes.

This will be important to all of us, whether our savings are large or small. It will encourage Americans to invest in their country's future. And let us remember this: The average investment needed to buy the tools and facilities to give one of our people a job runs about $8,000 to $10,000. The more we can encourage savings and investments, the more prosperous will be 160 million American citizens.

Just as we need more spending by consumers, so we need buyers for items produced by heavy industry—for lathes and looms and giant generators. The making of these things gives jobs to millions of our people. This carefully balanced tax program will encourage this kind of production. It will make new jobs, larger pay rolls and improved products. It will give us lower price tags on many of the things we want and need.

On Corporation Taxes

And there is another important part of this program. It concerns the income tax on corporations. Under the law, this tax would be reduced two weeks from today. I have asked the Congress to keep this tax at 52% and not to permit it to go down to 47% at this time. The extension of this extra tax on corporations will provide enough money to pay the costs of the benefits this tax revision program will bring to individuals and business.

So, there you have, in broad outline, the new tax revision program. I most earnestly hope that the Congress will pass it.

But—this is an election year. Some think it is good politics to promise more and more government spending, and at the same time, more and more tax cuts for all. We know, from bitter experience, what such a policy would finally lead to. It would make our dollars buy less. It would raise the price of rent, of clothing, and of groceries. It would pass on still larger debts to our children.

Opposes Raising Exemptions

Some have suggested raising personal income tax exemptions from $600 to $800, and soon to $1,000, even though the Federal budget is not in balance. You've seen this kind of deal before. It looks good on the surface but it looks a lot different when you dig into it.

Against $1,000 Exemption

The $1,000 exemption would excuse one taxpayer in every three from all Federal income taxes. The share of that one-third would have to be paid by the other two-thirds.

I think this is wrong. I am for everybody paying his fair share.

When the time comes to cut income taxes still more, let's cut them. But I do not believe that the way to do it is to excuse millions of Americans from paying any income tax at all.

The good American doesn't ask for favored position or treatment. Naturally he wants all fellow citizens to pay their fair share of the taxes, and he wants every cent collected to be spent wisely and economically. But every real American is proud to carry his share of the burden. In war and peace I have seen countless examples of American pride and the unassuming but inspiring courage of young American citizens. I simply don't believe for one second that any one privileged to live in this country wants some one else to pay his own fair and just share of the cost of his government.

Aside from that, let's just be practical. The loss of revenue involved in this proposal would be a serious blow to your government.

A $100 increase in the exemption would cost the government $2.5 billion. To increase the personal exemption to $1,000 would cost $8 billion. This, of course, would be on top of the large tax cuts our savings have already made possible this year.

In your interest, I must and will oppose such an unsound tax proposal. I most earnestly hope that it will be rejected by the Congress. I hope you feel the same.

Every dollar spent by the government must be paid for either by taxes or by more borrowing with greater debt. To make large additional savings in the cost of government at this moment means seriously weakening our national defense. I do not know any friend of the United States who wants that, under present world conditions. The only other way to make more tax cuts now is to have bigger and bigger deficits and to borrow more and more money. Either we or our children will have to bear the burden of this debt. This is one kind of chicken that always comes home to roost. An unwise tax cutter, my fellow citizens, is no real friend of the taxpayer.

Sees No Serious Depression

Now, this evening I mustn't overlook those among us who are professionally faint-hearted. They have been arguing lately that we are on the very brink of economic disaster. Viewing with gloom is only to be expected in the spring of an election year. The truth is, we do not have a depression. And what's more as I have said time and time again, your government will continue to use its full powers to make sure that we don't have one.

A month ago, I expressed to the Congress my belief that we would be able to go from wartime to peacetime conditions without serious economic trouble. Nothing has happened since to change my mind.

Some unemployment has developed in different parts of the country, but the nation as a whole continues to be prosperous. Unemployment has reached about the level it was in the spring of 1950. The broad program I have proposed to the Congress will strengthen our economy. When it is approved by Congress, it will both increase the number of jobs and make every man secure in that job that he has.

Of course, every one wants tax reductions of the right kind, at the right time. That specifically includes this Administration. This has been proved by the large tax cuts we have already made possible this year. But economic conditions do not call for an emergency program that would justify larger Federal deficits and further inflation through large additional tax reductions at this time.

My friends, a century and a half ago, George Washington gave us some good advice. He said we should keep a good national defense. He also said we should not ungenerously impose upon our children the burden which we ourselves ought to bear.

I know you and I agree with him on these points.

We agree, too, on efficiency in government, and a forward-looking program for a stronger America—an America whose people know good health and prosperity—and who are secure, day and night, from fear at home or abroad. That is the aim of this tax program.

That goal, my fellow citizens, is a goal worthy of our people.

Wisconsin Pub Serv. Offer Underwritten

Holders of common stock of Wisconsin Public Service Corp. are being offered rights to subscribe for 316,867 additional shares of the utility's common stock at a subscription price of $18.40 per share on the basis of one new share for each seven shares held of record March 12, 1954. The subscription offer will expire on March 30, 1954. Out of the total offering, up to 10,000 unsubscribed shares will be offered to the company's employees at the same price and the remaining unsubscribed shares will be purchased from the company by an underwriting group headed jointly by The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Robert W. Baird & Co., Inc., and William Blair & Co.

Since 1951, dividends on the common stock have been paid quarterly at the rate of 27½ cents a share, or an annual rate of $1.10 a share.

Proceeds from the offering will be used to repay approximately $1,000,000 in bank loans recently incurred in connection with current construction and the balance of the proceeds will be applied to the $14,500,000 in construction costs estimated for 1954. A major item in the present program is completion of 60,000 kilowatts of additional generating capacity.

The company supplies electricity and gas in northcentral and northeastern Wisconsin. During the past five years, the number of electric customers has increased 15%, gas customers increased 11%, net property increased 49% and electric generating capacity rose 70%.

Total operating revenues for the year ended Dec. 31, 1953, amounted to $29,996,000 and net income was $4,180,000, equal after preferred dividends, to $1.54 per average share of common stock.

Clearing Corp. Appoints New Officers

Bertram R. Lowenfels has been appointed President of the American Stock Exchange Clearing Corporation and Chairman of its Executive Committee. Charles J. Kershaw and Joseph F. Reilly were appointed Vice-President and Second Vice-President, respectively. David U. Page was appointed Secretary and Treasurer and Robert A. Kugler was appointed Assistant Treasurer. These officers were also appointed members of the Executive Committee. C. E. Sheridan was reappointed Assistant Secretary.

Kenneth W. Martin, Fred W. Nuppnau and Joseph F. Reilly were elected Directors to serve until the annual meeting in March, 1957.

M. S. Wien & Co. Moving to Jersey City

M. S. Wien & Co. announce that the firm is removing its offices to 1 Exchange Place, Jersey City 2, N. J. It will continue with the same personnel and will act as dealers in domestic unlisted securities, bank and insurance stock, real estate bands, reorganization securities and foreign issues.

Stern, Frauenthal Forming

Richard H. Stern and Herman C. Frauenthal, member of the New York Stock Exchange, on April 1 will form Stern, Frauenthal & Co., with offices at 14 Wall Street. Mr. Stern was formerly a partner in Einstein & Stern.

Continued from page 15

Housing and Mortgage Lending—Government and Private

will purchase section 221 mortgages.

Life Insurance Opposes Title III Calling for the Rechartering of FNMA and Proposes an Alternative Plan

I would now like to turn to Title III, calling for the rechartering of FNMA. We are firmly and vigorously opposed to the provisions of Title III with the exception of those providing for the liquidation of the existing FNMA portfolio. We believe there is only one valid reason for a government program as provided for in Title III, namely to assure the general availability of insured and guaranteed mortgage credit in small communities and remote areas and for minority groups. We are confident this can be done by private financing institutions themselves through a voluntary but well organized effort, without the government intervention provided for in Title III. I shall presently explain how such a voluntary plan would operate, but before doing so I would like to outline our reasons for opposing Title III.

We are opposed in general to Title III because, first, it provides for little more than a rechartering of FNMA to revive its power currently to supply government funds in the mortgage market. Actually, it goes further in the direction of direct government participation in the mortgage lending field than does the existing FNMA program. Secondly, it reflects a philosophy that housing must be kept going at a boom level regardless of basic market forces with respect to the demand for housing. The United States has been through a boom in housing production and a steady rise in prices of housing, and basic market forces now suggest the need for a moderate downward adjustment in output and prices. We believe that it would be preferable to have a moderate adjustment now rather than a major break in the future, which seems inevitable if we continue to apply artificial stimuli at this time. Thirdly, provisions of the title, through continued and strengthened government propping of the housing industry, will retard technological improvements in housing and thus will delay movement toward a lower housing cost basis. Finally, if, as under this title, the government tries to perpetuate boom conditions in housing in the face of a needed readjustment, it will have an adverse effect on the occupancy and prices of our existing stock of housing, estimated at close to $200 billion, on which the government has a contingent liability of nearly $29 billion in the form of mortgage insurance and guarantee.

The specific reasons which we have for opposing the "special assistance" function in Title III are as follows:

(1) We do not believe that it is necessary for the Government to embark upon the task of direct assistance to special insured or guaranteed mortgage programs. As we indicated in connection with the proposed sections 220 and 221, if the amendments we have suggested are accepted, then private investors will purchase the mortgages under these sections.

(2) In addition to the objective of supporting special programs, it is provided that the assistance function should be employed as needed to retard or stop a decline in mortgage lending and home building. We do not believe that this function is soundly conceived and it certainly is not necessary. It puts the cart before the horse in that if home-building activity goes into a decline it will certainly not be for lack of available private mortgage credit on a liberal basis. The reasons for any decline will be rooted in the **demand** for housing and will not derive from any lack of available funds.

(3) The function of the special assistance provision will in effect involve direct Government lending, with funds coming directly from the U. S. Treasury. The initial amount may not seem large, but we have seen how easy it was to expand FNMA once it came into being.

(4) This program is on the direct road to public control of housing and home financing. It goes beyond the Government insurance and guarantee function and is a long step in the direction of comprehensive public control. We feel that it is incompatible with the free enterprise objective which has often been mentioned in the bill.

(5) Under this function there is no provision for a 3% non-refundable contribution to be required of sellers of mortgages to FNMA. The absence of this requirement, which is provided for under the secondary market function, certainly makes the dumping of mortgages with FNMA a still greater risk.

For these reasons we think that not only is there no need for the special assistance function but it is a dangerous threat to the private financing system. We are firmly opposed to it.

Before I discuss our proposal for a voluntary effort to make residential mortgage credit generally available in all communities throughout the country, I would like to outline why we are also strongly opposed to the proposed "secondary market" function of the rechartered FNMA, as follows:

(1) Basically, there is no need for a Government "secondary market function." Readily available statistics show the tremendous job the private mortgage financing system has done throughout the postwar period. During the past five years, even in 1952 and 1953 when there was supposed to be a mortgage "stringency," the number of new non-farm dwelling units started has exceeded one million per year. The average number of starts per year in the six-year period 1948-1953 inclusive is 1,112,000. Non-farm mortgage debt on 1-4 family houses increased from $18.5 billion at the end of 1945 to $65 billion at the end of 1953, or an increase of 3½ times. Within this total increase of $46.5 billion, financial institutions such as life insurance companies, mutual savings banks, and so forth, increased their holdings by nearly $41 billion. During the period 1948-1953 inclusive the total of non-farm mortgage recordings in amounts of $20,000 or less has averaged over $15.5 billion per year, and the average in the past three years has been over $18 billion. All but a small fraction of these mortgages have been absorbed by the private market. In reviewing these figures we can see little evidence that private mortgage financing has been less than fully adequate throughout the postwar period. We believe the figures prove that the savings institutions, the commercial banks, particularly through their warehousing loans, and individual investors have provided an admirable private secondary market and that FNMA is not needed for this purpose.

(2) Under the provisions of Title III, the proposed FNMA "secondary market" function is a direct Government operation in every respect, with the provision that $70 million of its stock is to be subscribed by the U. S. Treasury and with up to $1 billion of its obligations purchasable by the Treasury.

(3) The most extensive use of FNMA in the past, and we fear inevitably in the future if Title III passes, has been under **boom** conditions. At other than periods of inflationary boom, as witnessed by the present time, there is plenty of legitimate residential mortgage credit available. FNMA purchases of mortgages in a boom are bound to be inflationary, as we have learned so well in the past. The FNMA operation is not a normal operation to supplement and liquidify the private mortgage market; rather, it is a means to pour additional money from U. S. Treasury sources into the mortgage market in a boom, when savings necessarily tend to be scarce relative to demand. Thus, FNMA funds inevitably serve to promote inflationary pressures.

(4) The basic condition for a free flow of mortgage funds is flexibility of interest rates, but the FNMA "secondary market" operation will only tend to rigidify rates. If the President exercises the powers proposed in Title II to keep FHA and VA interest rates in line with market conditions, that is, if he flexes them on the upside as well as the downside, the Government-insured and guaranteed mortgage programs will have an ample flow of funds.

(5) The "non-refundable contribution" of 3% may seem to be a real deterrent against the dumping of mortgages in the rechartered FNMA, but we see little to prevent the shifting of the contribution on to the home purchaser in the form of a higher price for the house. Since the FNMA would be used under boom conditions, it would be especially easy in a seller's market for houses to shift the contribution to the home purchaser at the time FNMA would be used.

We believe for these reasons that the provisions for a FNMA secondary market operation should not be enacted. As I indicated earlier, the only valid reason for a secondary market operation by Government is the fact that there may be certain small communities and remote areas where Government-insured and guaranteed mortgage credit is not generally available, and there may be cases where credit has not been available to minority groups. We think that this problem has been exaggerated, but there is no doubt that because of great pressure on the supply of mortgage money in the postwar housing boom, because of less than full coverage by the private mortgage system, and because of high servicing costs in small communities and remote areas, it is probably true that there may be cases where persons of good credit standing have been unable to obtain credit. We believe that much can be done to correct this situation if the President exercises the powers provided in Title II for flexibility of interest rates and fees and charges. Nevertheless, there may remain some element of difficulty here.

In order to provide additional assurance that this problem will be solved, we wish to propose a plan under which all types of private financing institutions, through a voluntary but well organized effort under the direction of HHFA Administrator, would undertake to see that Government-insured and guaranteed mortgage credit will be available to the maximum extent possible to all good credit risks for residential loans in every community of the United States. We have embodied our plan in the draft of a bill, and I would like to give the Committee copies for your study.

We believe that under the voluntary effort which we are proposing the problem of credit unavailability in small communities and remote areas, to the extent there is a problem, can be fully solved. Our plan should be tried to see what the magnitude of the problem is. We have made a canvass of the life insurance business and the plan has the backing of the big majority of life companies. We also are confident that other mortgage financing institutions would favor the purpose and basic ideas of the plan and would cooperate wholeheartedly.

Perhaps it would help if I were to outline the plan briefly, although I am sure you will want to read the proposed bill. The principal provisions are as follows:

(1) The basic purpose would be to facilitate the flow of funds for housing credit into remote areas and smaller communities where funds are not available in adequate supply, and to make mortgage credit generally available without regard to race, creed, or color.

(2) The plan would be limited to loans insured or guaranteed by the Government.

(3) There would be established a "National Voluntary Mortgage Credit Extension Committee" under the chairmanship of the HHFA Administrator, consisting of the Chairman of the Federal Reserve Board and fourteen persons to be appointed by the HHFA Administrator representing each type of financing institution, the builders, and the real estate boards. The Administrator would appoint a regional subcommittee of five persons in each Federal Reserve district.

(4) The National Committee would be empowered to solicit and obtain the cooperation of financing institutions in the program. It would study and review the demand for and supply of funds for residential mortgage loans in all parts of the country and would receive reports from and correlate the activities of the regional subcommittees. It would maintain liaison with the Government housing agencies and with State and local housing officials to fully apprize them of the voluntary program.

(5) Each regional subcommittee would study and review the demand for and supply of funds for residential mortgage loans in its region, would analyze cases of unsatisfied demand for such mortgage credit, and would report to the National Committee the results of its study and analysis. It would also maintain liaison with officers of the FHA and VA within its own region and would request these officials to supply the subcommittee with information regarding cases of unsatisfied demand for mortgage credit involving loans eligible for FHA insurance or VA guaranty.

(6) The regional subcommittee would render assistance to any applicant for a residential mortgage loan, provided that the applicant certifies that he has made a serious effort to obtain a purchaser for an insured or guaranteed mortgage loan and has been unable to do so. Upon receipt of such certification, the regional subcommittee would circularize private financing institutions in the region or elsewhere in an effort to place the loan with a private financing institution. It would undertake to handle in a similar way cases involving applications made to the VA for direct loans. Moreover, in order to encourage small or local private financing institutions to originate insured or guaranteed mortgage loans, the subcommittee would be empowered to render assistance to such institutions in locating other private financing institutions willing to purchase these loans, thus extending a secondary market to these local originators.

(7) In the performance of its responsibilities each regional subcommittee would be empowered (a) to request the National Committee to obtain for it the aid of other regional committees in seeking sources of residential mortgage credit, and (b) to request and obtain voluntary commitments from any one or more private financing institutions to make funds available for insured or guaranteed loans in any specified area or areas within its region in which the subcommittee found a lack of adequate credit facilities for these loans.

Arthur M. Krensky Co. Opens in Chicago

CHICAGO, Ill.—The formation of the brokerage firm of Arthur M. Krensky & Co., Inc., has been announced by Arthur M. Krensky,

Arthur M. Krensk, Frederick V. Devoll

President. The corporation, located in the Chicago Board of Trade Building, 141 West Jackson Boulevard, will engage in the general securities business, with memberships on the New York Stock Exchange, the American Stock Exchange, the Midwest Stock Exchange, and the Chicago Board of Trade.

Other officers of the firm include Alfred J. Betar, Vice-President; Frederick V. Devoll, Vice-President, Treasurer and Secretary, and Stanley J. Baron, Assistant Secretary.

Mr. Krensky formerly was President of the Republic Investment Company, Mr. Devoll was Vice-President and Mr. Baron was Secretary of that company. Mr. Betar previously was with the Chicago office of Merrill Lynch, Pierce, Fenner & Beane.

Customers Brokers to Hold Dinner April 29

The Association of Customers Brokers will hold a dinner on Thursday, April 29th, in the ball room of the Hotel Roosevelt marking the 15th anniversary of the founding of the Association. William McC. Martin, Chairman of the Board of the Federal Reserve System will be guest of honor.

Refsnes Ely to Admit

PHOENIX, Ariz.—Refsnes, Ely, Beck & Co., 112 West Adams Street, members of the New York Stock Exchange, on April 1 will admit Joseph L. Refsnes to partnership in the firm. Mr. Refsnes has been with the firm for some time in the investment trust department.

Rejoins Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harry A. Cottingham has rejoined the staff of Paine, Webber, Jackson & Curtis, 626 South Spring Street. Mr. Cottingham has recently been with Hemphill, Noyes & Co. and prior thereto conducted his own investment business in Pasadena, the Investment Securities Company of California.

Francis A. Bonner

Francis A. Bonner, Chicago investment banker, passed away March 6 at the age of 68. Mr. Bonner was with Lee Higginson & Co. and was an officer of Blair, Bonner & Co.

Don't Speculate on Sharp Price Decline in 1954

By PAUL H. NYSTROM*

Professor of Retailing, Columbia University
President, Limited Price Variety Stores Association

Dr. Nystrom predicts, if no new harmful influences show up, the economy will run through the deflation spell before the year's end. Says long range outlook seems particularly good, but retail business will be more competitive and tough. Does not look for any considerable decline in the general price level.

Ever since the end of World War II, many economists, labor leaders and even businessmen have been predicting a big post-war recession. Every year since 1945, we have been told that next year the economy would crash.

Paul H. Nystrom

Forecasting has its peculiarities. The greatest prophets of all time were the Old Testament Prophets you read about in the Bible. You may recall that there were four Major Prophets and 12 Minor Prophets. In addition to serving as religious teachers and leaders of the people, they all made predictions of things to come. They all predicted disaster. One of the differences between the Major and the Minor Prophets was that the Major Prophets made more predictions, all terrible, than the Minor Prophets.

There have been many prophets who have predicted peace and prosperity but you don't find their names in the books. As a matter of fact, the great prophets of all times have always been those who forecast calamity. This leads to the following observation, namely, it seems that the only way a prophet can make a reputation as a prophet is by forecasting trouble. There seems to be no historical percentage in predicting good times.

Another characteristic of the great prophets was that they not only predicted disaster, but they also stuck to it over long periods of time. Some of the Old Testament prophets predicted the destruction of Jerusalem several hundred years before it actually took place. Most of the great prophets didn't even live to see the day when they could say, "I told you so."

It is easy to be a successful business prophet, if you will but take your stand, either good or bad and stick to it. Business, like all other human institutions, moves in cycles or waves. This has always been so and, so far as we know, it will always be that way. After the booms come the recessions. After the recessions come the periods of business growth and boom again.

Past Booms and Depressions

This country has had 35 boom periods and about the same number of recessions or depressions in the last 164 years, that is, since 1789. These periods, both of boom and of bust, have been of varying intensity. Some of the recessions were mild and almost harmless while others were really rough.

Every economic historian can look back and tell you the causes for each business decline. All were somewhat different. Most of them followed periods in which business in one way or another expanded beyond the capacity of the country to support it.

We now have a group of prophets in this country, who, like the prophets of old, have been predicting business depression. They have been at it for several years. As of the present time, it looks as if some parts of their predictions are at least partly right. This country is now in a period of business decline. Some people call it a rolling readjustment. Most people call it a recession. The CIO says that it is the beginning of a severe depression. But whatever it is, it is here. Our problem is how to live with it.

The present recession began with the softening of business back in June and July, 1953. It was in July and August that the gross production of the nation began to fall off. The peak of the boom came in the second quarter of 1953. Agricultural prices and incomes had been falling for a couple of years before that.

The average of business for 1953 made it the greatest year we have ever had. But during the last half, the increase in business and particularly of retail sales became smaller and smaller. By November and December retail sales, as a whole, fell below the retail sales for the same months in 1952. In January and February of this year, retail sales fell somewhat below the same months of 1953. Presumably, the sales in March for most concerns will be below the sales for March, 1953.

A Mild Recession

So far, this has been a very mild recession. Of course, it seems rough to the many businessmen who have never been through a previous business depression. But to the veterans of many years of business, it seems to be just a temporary passing storm.

The downward slide in business since last summer and fall has been gradual. I suppose that most members of the Variety Trade have been expecting what has happened and have prepared for it. If you haven't done so, there still seems time to shift your sights for summer and fall sales.

How far will this recession go and how long will it last?

If no new and harmful influences show up, it looks now as if the economy will successfully run through most of this spell before the end of 1954. Total retail business is not likely to be as high as in 1953, but it seems probable that 1954 may be the second, or, at least, the third best retail year.

The present business decline had its origin, in large part, in the readjustments from a war-time, deficit-running, inflation-fed economy, towards a peace-time, self-supporting economy. There have been some declines in government spending for heavy war goods. There have also been considerable declines in industries developed to aid the war effort, such as agricultural production. From a period of relative scarcity of consumer goods during the Korean and Second World War, we have been moving during recent months into a period of plentiful goods.

The patterns of recession have varied from industry to industry. It has not been a general, overall declining movement. One industry, or a few industries, at a time has or have been affected. We shall probably come out of this recession in the same way, industry by industry and concern by concern, rather than by any general shift in the economy as a whole. During the past month, some industries have already shown favorable indications of recovery. It hardly seems probable, however, that any real recovery has set in yet. It would be safer to assume that it will take as many months, if not more, to get out of this recession than its took to get into it.

The rate of recovery will depend upon how readily and quickly business concerns and their employees readjust themselves to the changed requirements of a peace-time economy and make and sell what consumers want at prices they are willing to pay. But, on the other hand, if both business and its employees rush to the government with demands for help to continue unwanted and unprofitable production and if the government continues to pay for unemployment and relief in the hope of reviving industries in lines and places no longer needed to the extent required during the war years, much valuable time will be lost and there will also be the real danger of things getting worse before they can get better.

The long range outlook seems particularly good after this reorganization, now going on in our economy, has been completed. The resources of this country are tremendous. We have the raw materials, the factories, the systems of distribution, a growing population, and enough people who have ambition, who meet their problems by trying to find the answers instead of sitting down and yelling for help and who have the will and skill to get out of tight spots creditably. I do not mention the wealth, the savings or the social security of the nation. I am not nearly so much impressed by these as I am by the kind of people that make up the population.

J. P. Morgan's Philosophy

J. P. Morgan's views, back in 1908, have particular value for the present time. At that time the country was going through a sharp recession that had begun in October 1907. While the recession was at its worst, Morgan made a statement to business associates in Chicago. He said that the same statement had been made to him by his father. It was as follows:

"Remember, my son, that any man who is a bear on the future of this country will go broke. There may be times when things are dark and cloudy in America, when uncertainty will cause some to distrust, and others to think there is too much production and too many enterprises. In such times, and at all times, remember that the growth of this vast country will take care of all."

Now for some thought starters concerning the situation that lies ahead of us. In attempting to plan for the future, we must remember that we have been in an inflationary period for many years. The continuance of inflation was extremely dangerous. We wanted and we needed a turn in trends. Now, we have the beginning of such a turn. Our main problem now is to readjust gradually to a bit of deflation. We must now begin to produce and distribute goods that consumers want, rather than what the government wants.

One of the normal results of this change from inflation to deflation is apparent over-capacity. Farms and factories now can produce more of many kinds of goods than can be sold at present or recent prices jacked up by the inflation. There is also over-capacity in retail stores. The retailers of the country have the plants and equipment in which they could, if they had the opportunity, handle and sell a considerably larger volume of goods than will pass through their hands in 1954. If the inflation had continued, sales in dollars, would have increased, but the country would have eventually gone bankrupt. Now, with the turn in the tide, it is inevitable that total business volume should go down, at least temporarily.

Now a Buyer's Market

So, for many kinds of goods, we now have a buyers' market. Instead of buyers coming to sellers to see what they can buy, the sellers now have to go to the buyers to see what they can sell. Selling and sales service now, for the first time in many years, takes precedence over all other business services. Because there will be a keen effort to sell, this will be an era of sharp competition.

So, during the coming months retailers will:

(1) **Sharpen their methods by which to determine what consumers want** and are glad to buy.

(2) **Comb the markets for goods that their customers will want** and which can be sold at prices that their customers can afford and are willing to pay.

(3) **Strive to sell, display, advertise and promote more energetically and aggressively than at any time for many years.**

(4) **Keep their stores open and ready for business** on days and at times when customers want to buy.

(5) **Cut expenses of operation,** wherever this may be possible, without injuring the selling functions of their stores.

(6) **Reduce inventories in dollar values to meet the probable decline in sales,** but attempt to have well balanced, fast moving stocks of goods such as consumers want.

(7) **Watch for possible price declines** in goods that can be used to stimulate consumer interest.

(8) **Attempt, where sales increases are not available, to build up and to maintain mark-ups** that will cover present costs of selling and leave a reasonable return for the owners and funds to be used in the renewal and expansion of the business.

These we believe, will be the outstanding retail practices for the time ahead of us. They all happen to be old fashioned principles of retail merchandising. As a matter of fact, they are principles that always apply. Their reiteration here is solely for special emphasis for the months ahead.

Minor Price Declines

It is doubtful that there will be any considerable, general price declines during this recession, particularly in manufactured goods. Of course, some goods will come on to the market, from time to time, at lower prices.

It is probable that some desirable consumer goods will become available at lower prices because of reduced costs of production due to the use of newer processes, better machines, and other economies, the result of modern trends toward automatic operation.

It is likely that there may be some price decline because of lower raw material prices. These possibilities will bear watching.

There may be some apparent price declines where producers find ways of cheapening both the price and the quality of the goods. Look out for this. Such methods only lead to ultimate trouble.

There are also possibilities that there will be price reductions on certain goods because of mistakes of production, such as overextension of manufacture, making the wrong goods, getting them out at the wrong time, poor styling and design, or simply too many of them. Such goods will be unloaded at what looks like, or actually may be, price reductions.

But counting on merchandising distressed goods is, for most retailers, just pure speculation. Very few retailers do well at such speculation. Most who try it lose their shirts.

Lower general price declines seem impossible within the next few months because labor costs are too high and it looks as if they would stay high. Labor costs make up from 70% to 80% of the total costs of production of consumer goods. Labor costs are high and will remain high because of enormous wage increases obtained during the war, wage increases that bore no discernible relation to earned productivity, and the base supports of minimum wage laws and regulations. We are likely to see considerable unemployment through the spring and summer months but unemployment, unless extremely high, does not mean that there will be reductions in labor costs. Even at the present time, with unemployment up over 3,000,000, what is known as "the ninth round of wage increases" is sweeping through American industry.

Over a period of years, there will be increases in productivity per man-hour. But these increases come slowly. During the last 15 years, wage rates have, in most industries, moved up much more rapidly than productivity gains. So, averaging the price cuts that are likely to come on some goods with the labor cost rigidities, it seems unlikely that the general price level on such goods as are handled in the Variety Trade may go down more than 4% or 5%, even if that much, during 1954. We do not urge any gambling on possible general merchandise price declines this year.

Mention has been made of the effort to increase the retail markup. Some progress has been made in that direction by the department stores. Variety retailers may perhaps gain something by joining in urging manufacturers of nationally advertised, branded and fair-traded goods to raise the retail margins to cover the increase of costs of retailing.

Some Companies Will Forge Ahead

Some variety companies will forge ahead, come hell or high water in 1954. I personally know some aggressive retailers who have made up their minds to go after a gain of at least 10% in sales over last year. They know what they are up against. They know that it will be like rowing a boat up against a swift stream.

In general, they are determining in advance precisely where this business can be secured, from whom it can be secured and how.

They are drawing up their merchandise and operating plans to meet these objectives. Every executive and every employee in such concerns is clearly briefed on what to do and when. They are leaving nothing to luck.

They are stocking the goods that they are sure their customers will want. Their goods will be in their stores in highly attractive displays at the time their customers will want them.

They don't seem to be too much worried about possible price declines, but they are reserving some of their buying power to take advantage of occasional purchases for promotional purposes.

They are planning better window and store displays than ever before.

Some of them are going into newspaper advertising systematically and extensively.

The employees in these concerns are being told the simple facts of life about helping and selling customers. In these stores, the customer will really be the boss.

They are going to keep their stores open whenever a sufficient number of customers want to shop to make it profitable to operate their stores.

Many of these retailers, but not all, are going to "self-service." Variety Stores that have gone self-service, like super-markets, are putting service employees or "store hostesses" on the job to help customers find what they want, to suggest other goods to go with their purchases, to show

*An address by Dr. Nystrom before the 21st Annual Meeting of the members of the Limited Price Variety Stores Association, New York City, March 11, 1954.

customers where they can find what they want and to help busy customers to get what they want quickly.

Many smart variety merchants will modernize in 1954 and 1955. In addition to fixtures that help to sell, there is likely to be much done to make the stores themselves more attractive. The successful days of the Model-T variety store are gone. Variety merchants can't say, as Henry Ford once said, "My customers can have any color car that they want so long as it is black." The variety store of the future will reflect its new and important place in the consumer trading community by gay, bright, pleasing, welcoming colors and designs in buildings as well as in merchandise.

When the present recession is over, it is sure that many alert individual stores, whether chain or individually owned, will come through with their increases of 10% or better in sales and with their increases in profits.

Present "Chains" Began During Depressed Periods

Some of the best and strongest retail concerns in this country made their beginnings in periods of recession. These merchants made progress against the strong economic tides while other retail concerns were passing out. If the history of the Variety Trade is ever written up, it will show that hundreds of variety businesses forged ahead during business recessions. I would like to remind you that F. W. Woolworth, Butler Brothers, Marshall Field and Montgomery Ward made their starts in the deep depression days of the 1870's.

Mr. Van H. Priest of Madison, Florida, provides an inspiring record of progress in a depression. His first store was established in the late 1920's. During the hard times of the 1930's, Mr. Priest expanded at the rate of one or two new stores each year, all paid for out of the earnings of the company during the preceding years.

The attitudes of retail merchants who made their successful beginnings in depression years have been most admirably described, I think, by Mr. W. T. Grant, one of the founders of this Association. His first store was established in 1906, just before the beginning of the very sharp business depression of 1907-1908. He has told me that heh was so busy running and promoting his new business that he did not even know that there was a depression. He found out about it some years later from a banker down here in New York. In the meantime, his own business flourished just as if there had been no business recession at all.

In conclusion, the immediate outlook, it seems to me, is that sales during the rest of 1954 will be fairly good, but highly competitive and, therefore, tough.

For the longer pull, the business outlook is especially good, but with continuing perils of inflation. There is, of course, no immediate danger of national economic collapse. But our national government has a debt of nearly $275 billion. If government deficit financing continues long enough, the time will come, as sure as fate, when the people will lose confidence in the government's money and bonds. If that occurs, then this country will face a real depression. This need not happen. I do not believe it will. But that it can happen, if the government is not soundly run, is not a matter for doubt. But that is another story.

In the meantime, our concern here today is what we have to do about 1954 and 1955. Out of difficulties, as well as opportunities that lie ahead, it is my earnest belief that you who are here, the leaders of the Variety Trade, will come out of this recession sounder, stronger and more vigorous than ever in preparation for the years ahead.

Nuclear Research Stk. Offered by Tellier

Tellier & Co., Jersey City, N. J., are offering at 15 cents per share "as a speculation" 2,000,000 shares of Nuclear Research Corp. common stock (par one cent).

The proceeds of the offering will be utilized to retire an outstanding bank loan, construct a "hot" laboratory for work with large radioactive sources, purchase additional laboratory and testing equipment, and increase present working capital. The company also proposes to use a substantial portion of the proceeds of this offering to continue and enlarge its present program aimed at designing and developing nuclear instruments for use in the fields of medical diagnosis and treatment of cancer and thyroid conditions, industrial nondestructive testing, measurement and control procedures, and atomic energy power plants.

Nuclear Research Corp. of Philadelphia was formed in 1950 under Pennsylvania laws and since that time has been engaged in the business of assembling, manufacturing and selling instruments and equipment whose use and application relate to the field of nuclear energy and nuclear fission.

Company sources have reported a recent and significant business development which makes necessary the securing of additional funds. This important development consists of the design, engineering, and manufacture of a unique instrument: a small angle radiation detection and presentation system, more conveniently described as "Sardap." This extremely sensitive system may be used on industrial production lines to make instantaneous visual detection of surface or internal pits or flaws in metal castings and machined parts, or to gauge the thickness of such parts. The company is the holder of a permit issued by the Atomic Energy Commission enabling it to secure large radioactive sources for use in connection with its development of new types of nuclear instrumentation.

Other products manufactured by Nuclear Research include Geiger Mueller counters, scintillation counters, and scintillation survey meters, used for the detection and measurement of radiations emitted by radioactive materials such as Uranium. The sale of related equipment and accessories including protective lead shielding, shielded sample holders for mobile counter units, radiation monitors, automatic sample changers and radioactive isotopes constitutes a relatively minor portion of the company's business.

With Auchincloss, Parker

PHILADELPHIA, Pa.—Auchincloss, Parker & Redpath, members of principal stock and commodity exchanges, announce that Frederic B. Sadtler has become associated with them as a registered representative in their Philadelphia office, Land Title Bldg.

Mr. Sadtler has been active in the securities business in Philadelphia and New York since 1920. Before joining Auchincloss, Parker & Redpath he was associated with Cohu & Co.

Electric Power—Its Progress and Its Future

By W. V. O'BRIEN*

Commercial Vice-President, General Electric Company

Mr. O'Brien, in noting progress of electric power development in the Carolinas, and its contribution to industrial expansion, predicts rapid expansion of electric capacity, which since the beginning of the century has doubled every 10 years, will continue at same rate in future. Calls attention to social responsibility of industry, and ascribes American progress to confidence in future, accompanied by individual initiative and free enterprise.

Today is a very special day in North Carolina, from my viewpoint. For here in Rowan County, three very significant things took place.

First, America was made stronger by the equivalent of several million men working at top limit.

Second, an industry marked another milestone in its phenomenal 75-year history.

And third, a fast growing, prospering region was given a source of added productivity and progress.

All these things came about this afternoon, when the Duke Power Company dedicated two 135,000-kw. turbine generators at its Buck Station.

Perhaps these three claims appear to be an extravagant interpretation of the simple fact that two machines were put into operation. But the two machines which were dedicated at the Duke Power Company today are not ordinary machines—either in construction, nor in their end product. Though these two turbine generators are rugged enough to handle live steam at 1,000 degrees Farenheit and 1,800 pounds of pressure, they are built with the delicate precision of a fine watch. And their end product—electric power—has literally brought mankind from a condition of drudgery to one of human dignity.

Consider that one man working at maximum effort can exert the equivalent of 35 watts of electrical enery. Therefore, at Buck Station today, two turbine generators with a total capacity of 270,000 kw. have marshalled an invisible army of more than 7,700,000 productive workers, making the Buck Station the largest generating station in the Duke Power Company's system.

The addition of this invisible army of productive workers in the Piedmont region expresses a progressive, forward-looking approach on the part of the Duke Power Company, and as such, it is in the best tradition of the electrical industry's enlightened leadership.

As its 75-year history has so forcibly demonstrated, the electrical industry has always had its basic orientation to the future—and with good cause. The use of electric power in the United States has doubled every decade since the turn of the century. What's more, all the statistical evidence indicates that it will continue at this rate, or even at a greater rate, for several decades to come.

Size and Growth of the Electric Industry

During 1953, the electric utilities of the United States produced 442 billion kilowatt-hours of electricity. By 1965, according to the Edison Electric Institute, the United States will be using—and the utilities will be producing—more than a trillion kilowatt-hours a year. To do this job, it means that the electrical manufacturers must build, by 1965, as much electric generating capacity as they have built in the past 75 years. It means that utilities must invest continuously in new facilities, such as Buck Station, until they have in effect set up two utility industries where one stands today. This is a great undertaking but the rewards to all aspects of our national life will be even greater.

Because of its tremendous capacity for multiplying human effort, electric power is a prime cause of progress, not a luxury that follows in the wake of progress. In our modern world, the availability of electric power determines, to a large degree, the standard of living, the prosperity, the cultural vitality, and the military security of a nation. The more electric power we have, the more work we can get done. And out of work flow riches, strength, and progress.

Certainly, no better evidence can be found than here in the Piedmont Carolinas. The increased productivity, growth, and prosperity of your region during the postwar years make up an impressive record—one of which you can be justly proud. During these years, the Duke Power Company more than doubled its production of electric power. In 1945, your utility company produced approximately four billion kilowatt-hours, and in 1953, it produced over nine billion kilowatt hours. The Duke Power Company has seen to it that your region has had the vital coefficient of expansion, electric power, in place and ready for use. And they are seeing to it that the Piedmont Carolinas will have power in place and ready for **future** use.

Even as the two units were dedicated today, new generating facilities were being constructed at the company's Riverbend and Dan River plants which will boost the system's capacity by a total of 290,000 kw in the near future. With the addition of these new facilities, the Duke Power Company will have invested, I am told, over $270 million in the future of the Piedmont Carolinas since the end of World War II.

In this responsible, far-sighted approach by your utility company, there is expressed much of the vitality of the free-enterprise system — a vitality that is easily recognized, but so difficult to define. It is difficult to define because it is a state of mind. But it is this state of mind that distinguishes the American business man from his European contemporaries.

Not long ago, a group of 11 American sales executives visited Europe at their own expense, in an effort to show manufacturers abroad how to sell in the American market. Significantly, they dubbed their mission "operation enterprise." Their findings, as reported in "Harper's" magazine, were somewhat shocking. The European businessman was discovered to be defensive in character; he thinks more in terms of protecting what he has than of expanding. As a result, in one country free enterprise has been warped by cartels, non-competing territories, and general restrictions of trade. The manufacturer of a vacuum cleaner, for example, took great pride in recounting how his firm had throttled competition to such a degree that it controlled more than two-thirds of his country's consumption. But he expressed no concern over the amazingly high percentage of homes that had no vacuum cleaners at all.

Peter Drucker, writing in a recent issue of the same magazine, reported on the reasons behind the complete stagnation of the European economy during the past two years. After an unprecedented forward movement, country after country had restored prewar per-capita production—"and then stopped as suddenly as if it had run into a brick wall." This brick wall, according to the author, "is in the imagination and the emotions, and thus, while invisible, is much harder to break through." Essentially, it is a lack of vision beyond the prewar economy, an inability to plan ahead: in short, a lack of faith. As a result, European capital is today being invested in get-rich-quick schemes. There is little investment in long-term capital equipment.

Dynamic Vitality of Free Enterprise

I cannot conceive of anything so static as a brick wall in the American business community of today. Our free-enterprise system has a dynamic vitality whose source lies in three distinguishing characteristics — three hallmarks—of our business life. They are: social responsibility, confidence and initiative. And tonight, I should like to discuss these three characteristics with you.

First, **Social Responsibility.** American business has come a long way from the turn of the century, when a prominent business leader uttered his testy statement: "The public be damned!" In its stead, there has arisen an approach to business that has its roots deep in the Christian tradition. I am sure you all recall the parable from the 25th chapter of St. Matthew, wherein a wealthy man gave sums of money to his three servants before he left on a long journey. To one he gave five talents; to another, two; and to another, one. The servants, you will remember, were to care for this money during his absence.

When the master returned from his journey, he called the three servants for an accounting. The servants who had been entrusted with five and two talents had doubled these amounts through wise investment. But the servant who had received one talent had hidden it away for safekeeping. The two servants who had invested wisely were praised and given responsibility over many things: but the other who had hoarded his talent was strongly rebuked by the master.

This parable points up the duties and rewards of good stewardship, and as businessmen, it is a lesson which we cannot ignore. Ralph J. Cordiner, President of the General Electric Company, underscored its importance in a management meeting recently, when he defined the concept of social responsibility as the recognition of stewardship obligations by business: this means obligations to the customers, to the employees, to the shareowners, and to the public. A business enterprise, he emphasized, must be managed in the best interest of all.

Essentially, this means that a business must make good products and sell them at a fair price. It must pay salaries and wages that will enable its employees to live with dignity and self-respect. It must increase, not hoard, the money entrusted to it by the shareowners. And finally, a business must always recognize that it is part of the American scene and will be judged as to whether it is socially and economically beneficial to the public.

Perhaps these remarks sound too idealistic for something as practical as contemporary business. As a businessman, wasn't the vacuum cleaner manufacturer who had throttled competition much more practical, even though his ethics could not be admired? Actually, there is no conflict between the practical approach to business and the ethical principle of good stewardship. As a part of the total social structure, no business can continue to thrive and prosper at the expense of other aspects of society; its own good must be identified with the common good. To recognize this principle of ethics is to contribute, in a very **practical** way, to the continuing growth and prosperity of any business enterprise.

The **second** distinguishing characteristic of our American business life, you will recall, was **confidence**; or, what might be called faith in ourselves. Unlike present-day Europe, our people possess a profound belief in what they are doing. America, it seems, is made up of strong minds with a rich sense of adventure, and a will for discovery. And this, of course, has a great influence on the business community.

Role of Thomas Alva Edison

The unshakable confidence of one man has much to do with our being here this evening. I refer, of course, to Thomas Alva Edison, who—by starting out where others left off—founded the electrical industry. This year, as you may know, the diamond jubilee of light is being celebrated, for it was in 1879, 75 years ago, that Edison developed an incandescent lamp that would burn for 40 hours. This was the result of more than 6,000 individual experiments, and a great deal of costly and arduous work. Despite the many failures and blind alleys, Edison never lost his basic confidence that one day he would succeed. In fact, so great was his personal confidence that it became contagious and infected a group of businessmen, who, a year before the successful experiment, formed a company for the single purpose of **inventing** the electric light! This company, by the way, represented the earliest beginnings of the General Electric Co.

But the lamp of 1879 was only the beginning: it was no more than a curiosity unless people could somehow get electricity to use it. Again, Edison undertook the task with absolute confidence. Four years later, and in one bold stroke, he created at the Pearl Street station in New York the whole foundation of our electrical age—a central generating station and a network of equipment and wires to deliver it to customers. Great though Edison's genius was, these deeds would not be recorded today if it were not for his own confidence as well as the confidence of those who worked with him. And in 1931, the year of his death, Edison bequeathed this great confidence to his successors in the electrical industry, when he said: "Be courageous. Be as brave as your fathers before you. Have faith. Go forward."

As Thomas Edison so manifestly demonstrated, confidence is the only climate in which human undertakings thrive. Nothing worthwhile has ever been generated by cynicism.

The brick wall of European business, was one of the emotions—a lack of faith. Because this matter of confidence, or faith, lies in the emotions, it must be tempered with reason and good judgment: otherwise, it can well become distorted into blind faith and false optimism.

In the nation today there is a noisy controversy that is testing the confidence of the American businessman. It is this matter of whether or not our high flying economy has run out of gas and is coming in for a forced landing. Those who argue that present economic conditions represent only a minor dip in the long-term cycle are being accused of blind faith, false optimism, and a "pollyanna" approach to a stern reality. Yet, the evidence would seem to support the confident viewpoint.

The year 1953 was the most prosperous in the nation's history, judged by the number of people employed, incomes received, and goods and services produced. Therefore, it should not cause undue alarm if this all-time high is not immediately maintained, or even exceeded. The liquid assets of individuals and the availability of credit remain high and personal incomes are being sustained. And in a very tangible way major businesses are expressing their confidence by announcing plans for new plants and enlarged manufacturing facilities. This year, General Electric will spend $150 million as part of its 10-year $1,100,000,000 expansion and modernization program. And General Motors, you will remember, announced its billion dollar program only a few weeks ago. Commitments of this magnitude are not based on blind faith or false optimism; but rather, on a sound, factual analysis of an expanding economy.

Just recently, I was interested to read about a meeting where a group of businessmen were to discuss current trends in the economy. Two economists were slated to address the meeting. The first speaker, an American, was taking the confident approach; the second, a European, was to take the dim view. According to the report on the meeting, the audience was obviously impatient and restless as the American economist spoke; they were waiting to hear the bad news from the foreign expert.

In every society there will be the prophets of gloom who thrive on some quirk in human nature that is readily attuned to bad tidings. It is not easy to be confident, even when right, reason and good judgment tell us that this is the wiser course. However, the alternatives are always before us: either there is confidence, or there is a brick wall.

Initiative—A Force in American Business

And this brings us to the third distinguishing characteristic of American business life—**initiative.** Someone once remarked that the statement, "faith moves mountains," is just another way of saying, "confidence breeds initiative." This paraphrasing, in my opinion, relegates initiative to a subordinate role which it does not deserve. Between confidence and initiative there is something of a reciprocal, or feed-back relationship wherein one reinforces the other.

Controversial figure though he was, the late General George A. Patton was a man of undeniable confidence and initiative. In his book, "War as I Knew It," General Patton illustrates the relationship of confidence and initiative in an anecdote from his early military career. Let me read you this anecdote, just as he wrote it:

"In the summer of 1918 a group of soldiers, which I commanded, was having 37-mm. gun practice which I was observing. One defective round exploded in the muzzle, wounding three men. The next round exploded in the breech, blowing the head off the gunner. The men were reluctant to fire the next round, so it was incumbent on me, the senior officer present, to do so. In fact, I fired three rounds without incident. This restored the confi-

*An address by Mr. O'Brien before the Salisbury Chamber of Commerce, Salisbury, N. C., March 5, 1954.

dence of the men in the weapon; I must admit that I have never in my life been more reluctant to pull a trigger."

There is the clue to initiative: overcoming the natural reluctance to pull the trigger, to get the necessary action started. Because of Patton's initiative, the confidence of the men was restored as well as his own.

You may well point out that the businessman today is not faced with such physical danger, and therefore his pulling the trigger, or initiative, is not so much a matter of raw courage. While we are not confronted with physical danger, it is true, courage is very much a part of initiative for the businessman. For example, here is what Lawrence Appley, President of the American Management Association, had to say on the subject not too long ago: "It takes a great deal of faith and courage to invest hard-earned cash in anticipation of future return. The case is tangible reality; it actually exists in the bank or in securities; and it is readily available when needed. The future return which we seek to realize, on the other hand, is a matter of judgment and far removed from the fact. The ability to exercise that judgment and the intestinal fortitude to back it up with action are two of the important ingredients of progressive leadership."

Leadership in the free world has shifted from Europe to America, not as a request or by default. America has earned that leadership through the vigorous exercise of initiative in all phases of its national life.

Here in the Piedmont Carolinas you have an America in miniature, where the three characteristics of business vitality are literally transforming your region. In the past few decades, far-sighted and progressive regional programs have helped to eliminate the phrase, "the sleepy South," from the nation's vocabulary. The harnessing of the Catawba River by the Duke Power Company has long been a pioneering example of the natural-resource development and regional conservation which result from hydro-electric projects. Your magnificent highway construction programs have served as models for many other sections of the country. The vigorous promotion of a vacation industry has enriched your region, and has gained many new friends for the Carolinas. Your increased production of a wide range of manufactured goods has won this region new respect in national markets. And most spectacular of all have been your industrial development programs. With the acquisition of more than 5,000 new industrial plants since the end of Word War II, the Carolinas have become one of the fastest growing industrial regions in the country. In all these things are the literal expressions of social responsibility, confidence, and surely, initiative.

It is not surprising to me that the Carolinas have shown such a high degree of business vitality. For the three characteristics of this vitality are the attributes of a **people**. And here in this region are to be found, as one writer put it, "the prudence of the German, the wisdom of the Scotch, and the ardor of the Irish . . . fit material to form an industrious, thrifty, and gallant nation."

I doubt that there could be found anywhere a better example of the three characteristics of vitality than in the man after whom the Buck Station was named—Mr. James Buchanan Duke. His was a life dedicated to "better things for God and humanity." And through the Duke endowment, in its wonderful and practical way, the ideals of this man are still part of this region contributing to religion and education; to orphanages and hospitals. While this endowment is an eloquent expression of one man's deep sense of social responsibility, it is also, through its unique method of administration, a living instrument for inspiring the confidence and intiative of a people.

Because the three characteristics of business vitality are so deeply etched into the character of the Piedmont people, I have long shared your confidence in a future of expanded regional growth. Today, however, I have still another reason for this confidence. For on this day, at Buck Station, were sown seeds of that future growth.

ets and making copy more effective.

(2) Brand owners take advantage of the United States Supreme Court decision upholding fair trade and, by impartial enforcement and positive brand building, improve retail merchandising.

(3) Advertisers explore fully the impact on their own businesses of the trend to suburban living which has opened a new stream of wants.

(4) Sales Managers encourage young people to go into selling. There are not enough properly qualified salespeople and the selling factor in marketing under the pressure of keen competition has not met the challenge, thus putting unsound stress on advertising to do the selling job.

(5) Business inaugurate and maintain permanent sales training programs, drafting the best brains in business to inculcate old-fashioned, hard-selling practices among young salesmen and sales managers.

(6) Full cooperation be promoted between advertising, sales and promotion in order to render greater efficiency in each department in relation to the job of development of the whole marketing program and achieving an objective in terms of a planned sales total at the lowest cost possible.

(7) Manufacturers keep ever improving product and package. The consumer having the purchasing power wants the best for the money, not the most.

(8) As a personal working credo for marketing people, they realize the economy can be kept expanding in accordance with national growth by maintaining restless dissatisfaction with each day's results and resolve to keep improving.

New Corporation

(Special to The Financial Chronicle)

ALAMEDA, Calif. — Homer T. Craig, 2328 Santa Clara Avenue has formed Homer T. Craig and Staff, Inc., to continue his investment business. Mr. Craig is President of the new corporation; N. S. Craig, Vice-President and Treasurer; and Clara Goodlee, Secretary.

Arthur Combe Joins Aubrey G. Lanston Co.

Aubrey G. Lanston & Co. Inc., 15 Broad Street, New York City, announce that Arthur J. Combe has become associated with them and has been elected an Assistant Vice-President. Mr. Combe was formerly with the Guaranty Trust Company.

Russell Acker Joins James H. Acker & Co.

Russell S. Acker, after serving for a year and a half with the Eighth Army in Korea has been honorably discharged from the Army, and is now associated with James H. Acker & Co., 25 Broad Street, New York City, as a registered representative.

Joins Ferrell & Ferrell

(Special to The Financial Chronicle)

GRAND JUNCTION, Colo. — Joseph F. McMillin has joined the staff of Ferrell & Ferrell, 411½ Main Street.

Better Market Ahead for Premium-Priced Goods

W. W. Wachtel, President of Calvert Distillers Corporation, says trend toward luxury goods, which began 10 years ago, is still in full swing and is unaffected by current slump.

Speaking at a luncheon meeting of the Illinois Petroleum Marketers Association in Chicago on March 17, W. W. Wachtel, President of Calvert Distillers Corporation, stated that despite "recession" talk, the market for premium-priced goods never represented a bigger opportunity for businessmen. This, he added, could be the key to good business in 1954.

W. W. Wachtel

According to Mr. Wachtel, surveys reveal that the shopper will choose the higher-priced, well-known brand name, even though displayed equally with the unknown product at a lower price. He contended that the trend toward luxury goods which began ten years ago is in full swing and is unaffected by the current slump in some items. He cited the vast expansion in ten years in the luxury field, including such expense items as diamonds, jewelry, china, glassware, tableware. Moreover premium-priced whiskey and tobacco brands are still increasing in sales. As an example, he said cigars costing 20c sold a total of 4 million, but today sell 145,000,000, while the sale of Cadillac automobiles for 1940 totaled 13,000, but in 1952 were 113,000. Over 70% of all whiskey sold today is in the so-called "A" and "de luxe" class, it was pointed out.

The gasoline business, Mr. Wachtel noted, has also demonstrated how "trading up" to premium products can also expand the sales of an entire industry. He noted the relatively recent trend in the gasoline industry to push premium gasolines which has resulted in the coinsiderable growth in the last two years of this product's share of the market.

Mr. Wachtel deplored the "recession talk," pointing out that there are 4 million businessmen in the nation and 40% are retailers and another 22% service industries. "If this 62% were to begin retrenching even slightly, which they might if scared into by all this recession talk, that alone would cause a bad slump," he said.

Besides a moratorium on pessimistic talk, the Calvert president also urged that:

(1) Instead of giving in to defeatism, businessmen react to keen competition by boosting ad budg-

El Paso Electric Bds. Offered by Union Securities Group

Union Securities Corporation headed a syndicate offering yesterday (March 17) 15,000 shares of 4.12% dividend preferred stock of El Paso Electric Co. at $101.98 per share, to yield 4.04%. The group won award of the issue at competitive sale on March 16 on a bid of $100.40.

Net proceeds from the sale of the stock, and from the concurrent sale of $5,000,000 of first mortgage bonds, together with proceeds from the sale earlier this year of 76,399 additional shares of common stock, will be used by the company to pay its outstanding short-term notes totaling $4,990,000, incurred for construction purposes. The balance of the proceeds together with cash from operations, will be used to complete the company's 1954 construction program.

El Paso Electric Co. is engaged in generating, distributing and selling electricity in El Paso, Texas, and in an area in the Rio Grande Valley in Texas and New Mexico. The company supplies electric energy in 19 communities in Texas and in 22 communities in New Mexico, and in the surrounding rural districts. Territory served has an estimated population of approximately 270,000.

The company reported for 1953 operating revenues of $8,971,134 and net income of $1,680,680, compared with operating revenues of $8,130,632 and net income of $1,554,388 for 1952.

Associated in the offering are—A. C. Allyn & Co., Inc.; Spencer Trask & Co.; and F. S. Smithers & Co.

Forums on Vital Topics At N.Y.U. Dean's Day Homecoming Mar. 20

A series of forums on financial management, advertising, taxes, etc., will be held at the Graduate School of Business Administration of New York University, Washington Square, New York, at the Dean's Day homecoming on Saturday, March 20. The event is being held under the auspices of the Administration's Alumni Association, the President of which is Hyman L. Federman of Ira Haupt & Co., New York City.

Forum participants will include individuals prominent in banking and other fields, some of whom are as follows: Marcus Nadler, Dean G. Rowland Collins, Martin Gainsbrugh, M. R. Haskell (Treasurer of United Merchants and Manufacturers), Raymond Rodgers and Howard Vultee.

Public Utility Securities

By OWEN ELY

California Oregon Power Company

California Oregon Power Company, with annual revenues of $14 million, serves electricity in the southern part of Oregon and the northern part of California. It serves at retail 72 communities and adjacent rural areas in five counties of Oregon and five in California. Total population in the area is estimated at 229,000. Communities served at retail include Grants Pass, Klamath Falls, Lakeview, Medford and Roseburg, in Oregon, and Alturas, Crescent City, Dunsmuir, Tulelake, Weed and Eureka, in California. Power is sold at wholesale to Pacific Gas & Electric Co., a municipality, and an R.E.A. cooperative.

The principal business activities of the territory served are lumbering, fruit raising, farming and stock raising. The principal lumber producing area is near Roseburg, Ore., which now has an annual timber cut in excess of one billion board feet. One of the largest stands of fir timber in the United States is located in Douglas, Josephine and Jackson Counties in Oregon.

The company has 19 hydro plants and four small diesel plants, nameplate ratings of which total 224,705 kw. About 124,000 kw. was installed in the years 1950-53, most of the remainder dating from the 1920s. In 1953 about 7% of total kw. output was purchased (on net interchange) from the Bonneville Power Administration.

The company has two contracts with Pacific Gas & Electric Co. The first, expiring Dec. 31, 1957, provides for the purchase by the company of up to 15,000 kw. of firm power at the Pit No. 1 plant of Pacific Gas & Electric Co. The second, expiring July 31, 1964, provides for the purchase by the company of up to 60,000 kw. of power, as available until Aug. 1, 1954 and firm thereafter; and for the purchase by Pacific Gas & Electric Co. from the company of available electric energy up to the capacity of the Delta interconnection (presently 70,000 kw.) to the extent that the Pacific Gas & Electric Co. can beneficially utilize it.

In 1953 electric sales totaled 1,276 million kwh. which included 285 million kw. sales to Pacific Gas & Electric and 92 million to others, including a substantial amount to the Northwest Power Pool. The 1953 revenues were made up as follows: residential and rural 50%, commercial 23%, industrial 17% and wholesale and miscellaneous 10%.

All of the company's generating plants are interconnected and the system is also interconnected with Pacific Gas and with Bonneville. The average age of the transmission facilities is about nine years, and of the distribution facilities about five years.

The company is subject to regulation by the Federal Power Commission, by the state commission in California, and by two commissions in Oregon.

Capitalization, including $10 million 1st mortgage bonds and 300,000 shares of common stock being currently sold, is approximately as follows:

Long-term debt	$51,500,000	52%
Preferred stock	7,400,000	8
Common stock equity (1,300,000 shs.)	39,000,000	40
	$97,900,000	100%

Earnings and dividends on the common stock in recent years have been as follows:

Years	Share Earnings	Dividends	No. Shares Outstanding
1953	$1.76	$1.60	1,300,000
1952	1.69	1.60	1,300,000
1951	1.83	1.60	1,050,000
1950	2.12	1.60	800,000
1949	2.12	1.60	800,000

Earnings for 1954 have been estimated at about $2.05 a share on the increased number of shares, and perhaps $2.20-$2.30 is anticipated for 1955. The stock is currently selling over-counter around 27½ to yield about 5.8%. The price-earnings ratio based on 1953 earnings is 15.6, or 13.4 if based on the estimated earnings for the current year. The substantial increase in earnings for 1954 is in part the result of a rate increase recently obtained from the commissions in California and Oregon.

Morgan Stanley Group Offers Ala. Pwr. Bonds

Morgan Stanley & Co. and associates offered for public sale yesterday (March 17) $17,000,000 Alabama Power Co. new first mortgage 3⅛% bonds due 1984, priced at 101.467% and accrued interest to yield 3.05% to maturity. The issue was awarded at competitive sale on March 16.

The utility company, an operating subsidiary of The Southern Company, will use the proceeds of the sale along with $8,000,000 received from the recent sale of additional common stock in connection with its construction program and for payment of $4,790,000 of short term bank loans incurred for such purposes. The company's construction expenditures for 1954 are estimated at $33,810,000.

The new bonds are subject to redemption at 104.47 and thereafter at prices decreasing to the principal amount on and after March 1, 1983. A sinking fund calls for annual payments of 1% of the amount of bonds of all series outstanding. These bonds are callable for sinking fund purposes initially at 101.467.

The company supplies the electric light and power requirements of an area in Alabama of about 44,500 square miles with an estimated population of 2,550,000. The principal cities served are Birmingham, Mobile, Montgomery, Gadsden, Tuscaloosa and Anniston. Operating revenues of the company have increased from $45,377,000 in 1949 to $72,423,000 in 1953. For the calendar year 1953 gross income before income deductions was $17,862,000.

With Palmer, Pollacchi

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Edward L. Carr is now with Palmer, Pollacchi & Co., 84 State Street.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Allen Gundersheimer has become connected with Bache & Co., 5 West Broad Street. He was formerly with Westheimer & Co.

Largest Express Road Project Under Consideration—$1,500,000,000 Involved

Smith, Barney & Co. appointed financial experts to report on procedure and feasibility of financing express highway.

Governors and toll road and highway commissioners of many states met in Miami, Fla., on March 11 at the invitation of Gov. Charley E. Johns of Florida and Marvin D. Adams, Chairman of the Florida Turnpike Authority, to consider mutual problems related to toll highway construction and finance.

William P. Curlin, Kentucky Highway Commissioner and Chairman of the North-South Expressway Committee and Albert J. Wedeking, member of the committee, announced the appointment of Smith, Barney & Co. as financial experts to report on procedure and feasibility in anticipation of providing ways and means of financing all sections of an express highway from Chicago, Ill., through the states of Indiana, Kentucky, Tennessee, Georgia and Florida to Miami. The highway would cost an estimated $1,500,000,000. Other members of the North-South Expressway Committee are Dixon Oxford, Georgia Highway Commissioner and Chairman of the Georgia Toll Road Commission; W. M. Leech, Highway Commissioner of Tennessee; and Mr. Adams.

The project was first discussed by Gov. George N. Craig of Indiana with the Governors of the states to be traversed. Upon the invitation of Gov. Lawrence W. Wetherby of Kentucky, Gov. Craig and Gov. Frank G. Clement of Tennessee met at Ken Lake, Ky., for further planning and the appointment of a permanent North-South Expressway Committee. A third meeting, at which Mr. Curlin, Highway Commissioner of Kentucky, was made permanent Chairman of the North-South Expressway Committee, took place during the Annual Governor's Conference at Hot Springs, Va.

The Indiana Toll Road Commission is now in process of locating a north-south route which would be the initial project in the Great Lakes area. Kentucky's Toll Road from Louisville to Elizabethtown, Ky., may well be considered the center link in this vast chain of expressways to Miami. Florida's 110-mile Sunshine Parkway will extend from Hollywood to Fort Pierce, Fla., which will be the southern leg of this tremendous project.

Foresee Automatic Factory

Experts of the Illinois Institute of Technology, Chicago, say, in many factory operations, full automation is a reality, and it can be made to pay its way. However, they advise caution before making investments in automatic equipment.

A consensus of a panel of experts in a workshop session held March 4 at Illinois Institute of Technology, Chicago, was that although the automatic factory may not yet be here, full automation is a reality in many factory operations.

The panel members agreed that automation can be made to pay its way, but they added that each situation must be carefully analyzed before investments in automatic equipment are made. Such analyses, they said, should show where the equipment will amortize itself and where it won't. They explained that a manufacturer ordinarily must take it a small step at a time, automatizing one process and then another.

The experts also agreed that the term "automation" is used differently by different people. For purposes of the workshop session, they defined it as meaning factory operations in which parts are mostly handled without human effort. Human workers do two things—they set up the machines and they maintain them. As an example, panelist L. J. Bishop of Mechanical Handling Systems, Inc., Detroit, described a machine his company had built and installed for a manufacturer of foam-rubber mattresses. Starting with liquid latex, the machine performs each operation successively and automatically with only 14 operators. It runs 24 hours a day and six days a week, requiring almost no service.

"However," Bishop warned "you don't build a machine like that overnight. You need a lot of experience, and you have to be sure you build quality into it. Otherwise the customer will lose in maintenance costs what he gains in efficiency."

Another panel member, C. F. Hautau of Hautau Engineering Company, Ferndale, Mich., supplied other striking examples of automation that has arrived. He described a manufacturer of coaster brakes faced with going out of business because foreign manufacturers, using cheaper labor, could undersell him. Hautau's organization was called in and was able to reduce costs to a competitive level by making the process more automatic.

"Automation can revive a dying industry," Hautau declared. "In some cases, it is the last resort."

Hautau also described a grinding machine for roller bearings that checks each piece as it is made. If it is imperfect, the machine automatically compensates. It then checks the next piece and compensates again if necessary.

"Continuous part-to-part correction of this sort is feasible in quantity production only with automatic equipment," he said. "It is the answer to the problems of many manufacturers of high-precision parts."

L. F. Hesse, Gisholt Machine Company, Madison, Wis., also declared that automation is the answer in many processes. He cautioned, however, that there still are jobs that cannot yet be taken over by automatic machines. "Everything depends on the economics of a particular job," he said.

E. H. Wavering, Motorola, Inc., Chicago, described the radio and television set manufacturers as being considerably behind some other industries in adopting automation techniques.

"This probably is because we handle many different kinds and shapes of materials," he said, "and also because we are primarily assemblers. However, I expect progress to be rapid from now on as we and our suppliers learn more about designing for automatic assembly."

Joins L. C. McClure Co.

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla.—Thomas G. Williams is now associated with Louis C. McClure & Co., 617 Madison Street.

Varnedoe, Chisholm Adds

(Special to THE FINANCIAL CHRONICLE)

SAVANNAH, Ga. — Walter R. Belford is now with Varnedoe, Chisholm & Co., Inc., Savannah Bank & Trust Building.

Nation Cannot Afford a 10% Business Dip!

Floyd Cramer, tells Queens Chamber of Commerce such a slump would dislocate our governmental processes completely.

In a talk before the Queens Chamber of Commerce on March 15, Floyd Cramer, President of the Washington Heights Federal Savings and Loan Association, New York City, warned that "we cannot afford an economic letdown of any sort. A 10% reduction in business activity would dislocate our governmental processes completely. Deflation to the extent percentagewise of that which descended upon us in the 1930's would not leave the government with sufficient income to service its present debt and care for the disabled veterans of prior wars. Any idea that taxes could be raised on those remaining employed to make up for the taxes lost on those unemployed is sheer nonsense."

Floyd Cramer

"We live today in an age of inflation," Mr. Cramer pointed out. "It is time the American people became aware of this fact. Political leaders who talk otherwise are either naive beyond comprehension or are guilty of a colossal hoax upon the American public. The present and past generations have known nothing but war so far as our international relations are concerned. This in itself is a disrupter of economic stability. That which has contributed most, however, to economic disruption is the change in our living standards. People cannot undergo the changes Americans have encountered in the past 40 years without some dislocation in their economy."

Continuing, Mr. Cramer added:

"It is often cited that the pound sterling did not change in value for the 100-year period following the close of the Napoleonic Wars. What is not pointed out is that the living standards of the British people changed very little during this period. The same type of wagons and other means of transportation belonging to individuals was in vogue in 1914 as those in 1814. Houses and accommodations of all sorts remained relatively unchanged during this period. Today we change automobiles almost every year. The same thing takes place in our housing accommodations. The American housewife uses electricity in her kitchen today more than was used throughout the house at the time of Pearl Harbor. When we talk of stabilizing our economy we ought to ask ourselves just what we mean by stability. I, for one, do not think that the American people are in any mood for complete stability. I think they want to go on improving their living standards and that they are willing and ready to pay for these things. Therefore, I do not think that we can or will have a depression in the near future."

Institute of Investment Banking Second Annual Session Opens April 12

CHICAGO, Ill.—The second annual session of the Institute of Investment Banking will be held at the University of Pennsylvania, Philadelphia, during the week of April 12, it was announced by T. Jerrold Bryce, Clark, Dodge & Co., New York, President of the Investment Bankers Association of America.

A three-year executive development program is offered by the Institute for partners and officers of member firms and other personnel being trained for positions of increasing responsibility. It is sponsored by the Education Committee of the I. B. A. in cooperation with the Wharton School of Finance and Commerce.

The project is an outgrowth of the highly successful investment banking seminars held in Philadelphia under the same sponsorship in 1951 and 1952. The seminars provided a one-week refresher course for seasonal personnel. The response by the industry to the two-year seminar experiment was most favorable and lead to the establishment of the Institute in the Spring of 1953 to provide a permanent and more extensive training opportunity for the securities business.

Two programs are being offered in 1954: A first year curriculum for those just enrolling in the Institute, and a second year curriculum for those who attended the 1953 session.

It is expected that most of the 143 men who were enrolled in the Institute last year will return for the second-year course in 1954. In addition, provision has been made for 100 new enrollees.

Registrants will be quartered in the Penn-Sherwood Hotel and will attend a series of integrated classes on the university campus for one week each spring for three consecutive years. Those completing the three-year program will be awarded a Certificate of Merit in recognition of their specialized training in the investment banking business.

W. Carroll Mead of Mead, Miller & Co., Baltimore, Chairman of the I. B. A. Education Committee, and head of the Institute Planning Committee, is in charge of the project.

According to Mr. Mead: "It is the purpose of the Institute to develop leadership and to increase the efficiency of all those who attend. Authorities drawn from the securities industry, from business, government and educational circles, will discuss topics of current significance to the investment business. Registrants will benefit not only from participation in the discussions, but will have the additional advantage of meeting and exchanging views with others in the industry from all parts of the country."

Significant topics on the program include:

First Year Program

Recruiting and Selecting Personnel; Sales Training Methods.

Public Relations; Advertising; Available I. B. A. Tools to Increase Business; Selling Techniques.

Management Control of Securities Firms—A Panel Discussion.

Trends in Over-the-Counter Markets: New Forces in Securities Markets.

Tools of Economic Analysis: Determinants of the Level of Business Activity; Economic Stabilization.

Mutual Funds—Advantages and Problems.

Second Year Program

Institutional Investment Practices: Commercial Banks, Life Insurance Companies, Fire and Casualty Companies; Mutual Funds and Pension Funds.

Legal, Regulatory and Legislative Problems: Self-Regulation; Federal Regulation and Legal Problems.

Investment Banking Operational Problems: Underwriting; Syndicate Techniques; Trading; Public Offering of Stock in a Privately Owned Company — A Case Study.

Banking System and the Money Market; Government and Interest Rates; Interest Rate Determinants and Projections.

Combined First and Second Year

Off-Street Parking Bonds; Toll Road Bonds.

The Natural Gas Industry; Whither Electronics.

Current Economic Problems—Growth Stocks in the 1951-54 Market; Economic Outlook.

Tentative registrations received in response to the Preliminary Announcement of the Institute some months ago indicate a broad interest in this training program. In the opinion of the Institute Planning Committee, applications will undoubtedly exceed the accommodations available, and it may be necessary to allot enrollments.

Additional information on the Institute may be obtained from the Educational Director, Investment Bankers Association of America, 33 South Clark Street, Chicago 3, Ill.

Dillon, Read Group Makes Secondary Offer

Dillon, Read & Co. Inc. headed an investment banking group which offered for public sale yesterday (March 17) 200,000 shares of Texas Gas Transmission Corp. $5 par value common stock at $17.25 per share.

The 200,000 shares are being sold to the underwriters by J. H. Hillman & Sons Co. (142,500 shares) and Pennsylvania Industries, Inc. (57,500 shares).

Texas Gas Transmission Corp. owns and operates a natural gas pipe line system which begins in east Texas and extends through Louisiana, Arkansas, Mississippi, Tennessee, Kentucky and Indiana to a point in western Ohio. The over-all system has a daily delivery capacity of about 1,069 million cubic feet of natural gas and includes about 3,232 miles of pipe line and 21 compressor stations. For 1953 operating revenues were $63,329,436 and earnings applicable to common stock amounted to $4,183,636, equal to $1.59 per share on the common stock.

During 1953 the common stockholders were paid cash dividends amounting to $1 per share and a stock dividend of 2%. A quarterly dividend of 25 cents per share was paid on March 15, 1954.

A. W. Schottland Opens

Al W. Schottland is engaging in a securities business from offices at 255 West 90th Street, New York City.

Murray Wagner Forms Co.

Wagner & Co. has been formed with offices at 15 William Street, New York City, to engage in the securities business. Partners are Murray Wagner, Pearl Sano and Martha Trautwig. Mr. Wagner was formerly with L. D. Sherman & Co.

With George V. Yates

(Special to The Financial Chronicle)

CARMEL, Calif. — Gail L. Chandler has joined the staff of George V. Yates & Co., Jorgenson Building.

Neary, Purcell Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Hugh H. Crowe has become connected with Neary, Purcell & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. He was previously with Barbour, Smith & Co.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

The earnings and expenses of New York central reserve city banks for the past several years were summarized and discussed in the March, 1954 "Monthly Review" published by the Federal Reserve Bank of New York.

In addition to presenting a composite picture of operating results in recent periods, the figures and discussion are interesting to stockholders of bank shares for a number of other reasons.

As the figures are presented on a comparable basis for the last two years, they show the extent and impact of "tax switching" and security losses on final earnings for last year. These losses for 1953 amounted to some $30.4 million as compared to $3.7 million in the previous period. Had it not been for this factor, net profits for the year would have been substantially higher.

A second factor is that by examining the figures for past periods and analyzing the adjustments that were made, it is possible to obtain some idea of the direction and nature of accounting to an extent not available in most annual reports.

To illustrate the foregoing a tabulation on earnings and expenses of New York central reserve city banks for the past two years taken from the "Monthly Review" of the Federal Reserve Bank of New York for March, 1954 is shown below.

Items	New York Central Reserve City Banks (Millions)	
Earnings:		
On U. S. Government securities	133.8	136.7
On other securities	42.9	42.9
On loans	377.8	433.6
Service charges on deposit accounts	18.2	19.6
Trust department	66.6	69.6
Other earnings	52.0	54.6
Total current earnings	691.3	757.0
Expenses:		
Salaries and wages	212.8	228.0
Interest on time deposits	17.9	28.1
Other expenses	139.8	148.0
Total current expenses	370.5	404.1
Net current oper. earnings before income taxes	320.8	352.9
Net recoveries (+) or charge-offs (—) on loans	+ 2.4	+ 2.1
Security profits and recoveries (+) or charge-offs (—)	— 3.7	— 30.4
All other net recoveries (+) or charge-offs (—)	+ 1.9	— 6.4
Net additions to (—) or deductions from (+) valuation reserves for:		
Loan losses	— 11.9	— 9.9
Security losses	+ 3.7	+ 4.2
Net profits before income taxes	313.2	312.5
Taxes on net income	138.6	151.4
Net profits after income taxes	174.6	161.1
Cash dividends paid or declared	94.7	103.2
Retained earnings	79.9	57.9

One of the most interesting features of the above figures is the total of $9.9 million added to valuation reserves for loans last year. Most of the banks had by the end of 1952 completed the buildup of loan loss reserves to the maximum permitted by the existing formula of the Bureau of Internal Revenue. Thus the increase in reserves last year on this account was accomplished largely without benefit of tax exemption. In other words the additions to the loan loss reserve in 1953 were made after taxes.

According to the discussion by the New York Federal Reserve Bank these increases in reserves were made in the hope that the Bureau of Internal Revenue this year may allow the banks to increase the amount of such reserves deductible for tax purposes.

It is interesting to note that had the $9.9 million not been deducted from income last year, reported net profits of the New York banks would have been higher in spite of the substantial security losses.

Obviously these accounting adjustments will exert an important influence on earnings and net profits in the current year. The decline in interest rates and the corresponding rise in bond prices over the past six months has resulted in substantial profits on security holdings in contrast to losses of last year.

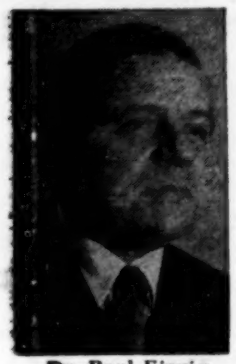
Also should the Bureau of Internal Revenue permit larger reserve accumulations, a portion has already been set aside and the tax saving could be a direct benefit to operations. If the Bureau does not permit additional loan loss reserves, the voluntary accumulations this year should be smaller.

It would appear from this that accounting adjustments this year will be an important factor in maintaining the net profits of the New York banks regardless of operating considerations.

Britain Pessimistic Regarding U.S. Drift Toward Major Crash

By PAUL EINZIG

Dr. Einzig reveals considerable growing uneasiness in London regarding a major depression in U. S. Says Britishers are utterly bewildered by almost complete absence of any action to prevent a slump, and hold recent reduction in Federal Reserve discount rate is "too late and too little." Says situation, socially and politically, is more vulnerable than quarter century ago.



Dr. Paul Einzig

LONDON, Eng.—There is a growing uneasiness in London about the way in which the United States are drifting into a major depression. Until recently official optimism in Washington succeeded in impressing British official and expert opinion. Officials of the United States Administration, in private conversation with their British colleagues, repeatedly stated that all the necessary plans are ready to be applied if and when it should be necessary to counteract a recession. These assurances carried much conviction, apart from other reasons because it was realized that the Republican Administration could not possibly afford politically to allow another slump to develop under its regime. So the assurances were readily accepted whenever they were repeated during 1953.

Towards the end of last year, and even more since the beginning of this year, however, the assurances gradually lost much of their convincing force. This was because of the growing evidence that, whether or not the United States Government has the means at its disposal to check a recession before it gets out of control, it is certainly unable or unwilling to use them. Month after month the recession has been making progress. The pace of its progress is in itself not alarming, but its relentless persistence is causing concern. Some of the latest public pronouncements of American experts are not nearly as reassuring as they were a few months ago, and the indices of business activity confirm their uneasiness. In particular the reports that the number of unsold motor cars has reached a record level is considered significant, in view of the importance of the automobile industry in American prosperity.

American economists of the standing of Professor Samuelson are no longer asking themselves whether the United States are undergoing a recession. They now answer that question unhesitatingly in the affirmative. So, after all, the Eisenhower Administration has allowed a recession to develop. We on this side of the Atlantic are utterly bewildered by the almost complete absence of any action to prevent a slump. Everybody is at a loss to understand what the United States Government is waiting for. If it has the means to check the development of a deflationary spiral, why does it not employ those means?

It is considered conceivable that the Republican Administration, having gained office with an anti-inflationary program, feels bound to carry out its pledge even at the cost of a moderate recession. After many years of inflation it is understandable if any responsible government has developed an anti-inflationary bias. But where is the limit up to which the United States Government feels it safe to allow the recession to proceed before it is prepared to intervene effectively even at the risk of reverting to inflation? And will it be possible to check the trend once that limit, wherever it is, has been reached? Such questions are causing much concern among British businessmen who realize that their prosperity is closely linked with that of American business.

Up to now the only noteworthy action taken against the recession has been the recent reduction of the bank rate in New York and other Federal Reserve Districts. But many people are wondering whether this measure is not "too late and too little"? It has certainly failed to produce any impressive results, judging by the latest reports on business conditions in the United States. It seems that much more drastic action is needed before the adverse trend is checked and reversed.

Although the steady tone of Wall Street at the beginning of March after its recent setback is considered gratifying, in itself it is not accepted as being reassuring. After all, Wall Street has not always been right in the past as an indicator of coming changes in trends. It is readily admitted, however, that this time Wall Street is not likely to become the cause of a major trade slump, as stock prices have not been driven up to such dangerously high level as in 1929, so that the slump, if and when it should come, would be less destructive.

Even though financially and economically the situation is incomparably less vulnerable than it was a quarter of a century ago, socially and politically it is incompaarbly more vulnerable. In the meantime the political and social balance of power has changed considerably throughout the world. Although this change has been much less pronounced in the United States than elsewhere, observers from this side of the Atlantic are inclined to doubt whether on this occasion the American working classes would put up with mass unemployment the way they were prepared to put up with it during the 'thirties. And it is quite certain that a major slump in the United States, with its inevitable repercussions throughout the free world, would throw the democratic system in jeopardy in Western Europe and elsewhere. Much more is now at stake than mere prosperity.

Although all this is fairly obvious there is a growing doubt in Britain whether the American authorities have fully realized the extent of the world-wide risk involved in unduly delaying effective action against the recession. Compared with the full extent of the risk of a collapse of democratic regimes in Western Europe a resumption of moderate inflation may well appear to be a consideration of minor importance. Seemingly this is not the view taken, however, in Washington. Or is it conceivable that the Administration is not fully aware of the disastrous effect that an American slump would produce outside the United States? As a result of a swing to the left in most countries of the free world that would result from large-scale unemployment the United States might easily find themselves politically and economically isolated. One should have thought that a further rise in the price index by a few points would be a low price to pay for an insurance against this risk as well as the risk of a major depression in the American economy.

Francis I. du Pont and Jas. Bennett to Merge

Edmond du Pont

Edmond du Pont and Alfred Rhett du Pont, Senior Partners of Francis I. du Pont & Co., of New York, and Frank A. Miller, Senior Partner of James E. Bennett & Co., of Chicago, have announced that a merger of the two firms would become effective on April 1, 1954. The combined firms, both members of the New York Stock Exchange with memberships in other leading security and commodity exchanges, will continue business under the name of Francis I. du Pont & Co. Main offices will be in New York and Chicago for securities and commodities respectively.

The combined facilities will include 62 offices in 19 states and the District of Columbia, including such major cities as Wilmington, Delaware, Philadelphia, Washington, Cleveland, Milwaukee, Minneapolis, St. Louis, Memphis, Kansas City, New Orleans, Fort Worth, Dallas, San Francisco and Los Angeles. In addition, there are two offices abroad, in London and Lausanne, Switzerland. The private wire system will extend from coast to coast and from Minneapolis to New Orleans. The firms maintain large, well staffed and thoroughly equipped research departments for securities and commodities.

All of the partners of James E. Bennett & Co., each of whom has been associated with that firm for many years, will become general partners of Francis I. du Pont & Co. The present personnel of James E. Bennett & Co. will become associated with Francis I. du Pont & Co. and all branch offices will be maintained as heretofore by the same staff. Frank A. Miller, Senior Partner of James E. Bennett & Co., has been with that firm since 1904, a Partner since 1917 and Senior Partner since 1948.

In a joint statement, the senior partners of the firms said: "We believe that more people want to become direct owners of the American economy. This merger, by extending the combined facilities of both firms to many more investors throughout the country, will provide greater opportunities to broaden this ownership. In addition, the merged organization will offer enlarged facilities for dealing in commodities and acting as commission merchants for the trade throughout the country."

James E. Bennett & Co. was founded in 1880 and is one of the oldest and best known firms in the securities and commodities business. The firm, which established its first leased wire between Chicago and St. Louis in 1906, pioneered in the dissemination of commodity in formation on the cash and futures markets and has expanded its facilities to major commodity centers throughout the country. One of the outstanding services provided by the firm is its forecast of crop production. Presently the firm maintains 30 offices.

The organization of Francis I. du Pont & Co. in 1931 marked the entrance of the du Pont family, long a leader in American industry, into Wall Street. Francis I. du Pont, founder of the firm, organized the Experimental Department of E. I. du Pont de Nemours and was a Director of that company. Edmond du Pont and Alfred Rhett du Pont are his sons. Since 1931, Francis I. du Pont & Co. has grown from a small New York Stock Exchange member firm to one of the largest, with 32 offices throughout the United States serving tens of thousands of investors. In addition to its brokerage business in securities and commodities, the firm is active in the fields of underwriting and distribution of municipal and corporate securities.

Continued from page 3

The Wrong Road to Redeemable Currency

facts and the related consideration of intent on the part of our government.

Besides the evidence, past and present, as to ratios of gold stock to non-gold money and deposits, there is the further consideration of the state of surplus reserves in Federal Reserve banks at the time a particular ratio of gold to non-gold money and deposits is under scrutiny. Today, for example, the surplus reserves of the Federal Reserve banks are such that, at present reserve ratios for Federal Reserve and member banks, and with 3% of our gold stock drawn into circulation — a reasonable expectation in the light of the fact that such was a common maximum for the period July, 1923, to April, 1932, inclusive—they would support an additional supply of bank deposits to the extent of approximately $224 billion above the $195 billion outstanding (as of Nov. 25, 1953). In 1920, in contrast, when the ratio of gold stock to non-gold money and deposits was down to 6.7% on the average for the year, the surplus reserves of the Federal Reserve banks (during the Spring of 1920) were practically exhausted — eight of those banks were paying tax penalties for deficiencies in reserves. A contraction in credit and business liquidation were results, although of course other factors were also involved.

But with a gold reserve ratio of 9.9% and with a huge volume of surplus reserves in Federal Reserve banks, plus the favorable psychological atmosphere which announcement of intention to redeem generates — pertinent facts and considerations with which Mr. Hazlitt did not deal—he could not possibly demonstrate in any valid manner that those who contend that the United States can, and should, institute redemption at $35 per fine ounce of gold are not on sound ground.

Mr. Hazlitt contends further that employing current reserve ratios, as compared with past, is also superficial because whereas in December, 1926, and December, 1933, we held 45% and 33.6%, respectively, of the world's monetary gold supply, we now hold 60.8% and that if as a consequence of our nation and others returning to a gold standard our supply were forced back to 40% this would reduce our ratio to only about 7%.

One question is whether such a redistribution of the gold supply would take place. That falls in the area of speculation. The next question is whether, if Mr. Hazlitt's assumption should be valid, a ratio of 7% would be sufficient to maintain redeemability of our currency. Much depends on the size of the surplus reserves of the Federal Reserve banks when the ratio reaches 7%. Should they be so low as to cause the Federal Reserve banks to raise rediscount rates sharply, as in 1920, and perhaps to put other sharp brakes on the use of credit, this nation might well be confronted with a contraction of credit at that level as a price of maintaining redemption. The ratio was 6.7% in 1920. With very little surplus of reserves available a contraction of credit set in, but there was no serious thought that redemption would or should be suspended. In 1928, when the average ratio for the year was 7.2%, surplus reserves in Federal Reserve banks were large —the percentages of total reserves ranged from 63.6 to 74—, there was no general contraction of Federal Reserve or member bank credit and no discussion of a possibility of not maintaining a redeemable currency.

It seems to be a reasonably good guess that if the ratio of our gold stock to non-gold money and deposits should fall below 7% we might well be in a condition, if surplus reserves of Federal Reserve banks were also very low, in which it would be unwise to attempt resumption.

But the facts are that we have a gold ratio of 9.9% and huge surplus reserves in Federal Reserve banks. These facts nullify Mr. Hazlitt's contentions in respect to the inadequacy of our ratio of gold to non-gold money and deposits. Furthermore, at no place in his articles does he seem to recognize the fact that with the institution of redemption the tendency should be for gold to flow to the United States.

The remainder of Mr. Hazlitt's argument in respect to what he assumes the situation might be if certain things should happen is in thes peculative area. His arguments in this area are no more logical than would be a contention that since we might become involved in another war which might cause another suspension of redemption we should not enjoy the benefits of redemption when the evidence is that they are within our reach. Using that variety of argument one could contend with equal consistency that we should not attempt to enjoy peace since we may lose it again in another war.

Mr. Hazlitt says that "The real error of those who think we could safely return to a full gold standard at a rate of only $35 an ounce lies in the assumption that there is some fixed 'normal' percentage of gold reserves to outstanding money liabilities that is entirely safe under all conditions. This, in fact, is not true of any gold reserve of less than 100%."

It would have been helpful if Mr. Hazlitt had cited a single monetary economist, who advocates resumption at the present statutory rate, who ever advanced the alleged assumption as to "some fixed 'normal' percentage of gold reserves that is safe under all conditions." And, as to the statement that no gold reserve of less than 100% is safe under all conditions, it should be recognized that probably no nation since the development of bank deposits on a fractional reserve system ever had, or ever could get, a 100% gold reserve against all its non-gold money and deposits. The maintenance of a redeemable currency on a fractional reserve system does not involve such considerations as a 100% ratio.

Mr. Hazlitt goes on to say that when confidence in the money managers is badly shaken, a gold reserve far above this (non-existent) "normal" is required to maintain redeemability. He does not say what this alleged "normal" is or what "far above" this "normal" is.

Finally, in this article (of Jan. 18) he says that today confidence

in "the world's monetary managers has been all but destroyed," that it "may take years" to restore it, and that until this is done "any effort to resume a full gold standard at $35 an ounce might precipitate a violent deflation."

All that those observations mean is that Mr. Hazlitt is opposed to a return to a gold standard at $35 an ounce since it "might precipitate a violent deflation"! That is an attempt to scare people without producing good or valid evidence in support of such a warning.

Furthermore, to set up the condition that confidence in "the world's monetary managers" must be restored before we could safely institute redemption is equivalent to saying that all such managers must be made good and wise before we could have a gold standard. That means, of course, that we should never redeem.

The fact of the matter is that we need not concern ourselves with "the world's monetary managers"; our chief concern is with our own. And there is no good reason to suppose that there ever could be a basis for confidence in them so long as they manage and want to manage an irredeemable currency. The correct solution lies in putting our money managers under the restrictions of a redeemable currency.

Mr. Hazlitt's article of Jan. 25 on "How to Return to Gold" says that the "new dollar-gold ratio that we should aim at is one at which gold convertibility can be permanently maintained, and that will . . . neither bring a rise or a fall in prices."

The question arises as to how he can determine a ratio that can be permanently maintained in the light of his statement in his preceding article that no gold reserve ratio of less than 100% is entirely safe under all conditions. Next, his idea that a specific ratio of gold to non-gold dollars and bank deposits will maintain a steady price level cannot be successfully defended.

Mr. Hazlitt says that "the $35 figure" for an ounce of fine gold is not "sacrosanct," that those who advocate the maintenance of the $35 rate are acting on "unconvincing evidence," and that to obtain "a guide to a new dollar-gold ratio that we can hold" we must "test the state of confidence in a temporary free market for gold."

This recommendation means that the fixity in our standard gold dollar should be suspended, that the United States should adopt a thorough-going system of irredeemable currency, that gold should be demonetized—in short, that we should embark upon the worst type of monetary system known to man and look forward to another devaluation of our dollar. Mr. Hazlitt describes all this as a "temporary" step in a "return to gold."

Part of his justification for his recommendation of a so-called "free" market for gold under an irredeemable currency is that "values and prices [such as $35 per fine onuce of gold] are not set by mathematical calculations, but by supply and demand operating through free markets." Here Mr. Hazlitt confuses the determination of prices in free markets with the question of the requirements for a good monetary standard in which the prices are quoted. Furthermore, free markets in terms of a non-fixed monetary standard are very different from free markets in terms of a fixed standard monetary unit. If free markets are to function well, there must be fixity in the standard monetary unit and the currency must be redeemable in the standard unit. But, because prices fluctuate in free markets, Mr. Hazlitt is contending that the standard in which these prices are quoted also should fluctuate to determine what the proper dollar price for an ounce of gold should be. *In other words, he would destroy the present standard unit to determine through the use of thorough-going irredeemable currency what he contends would be the proper standard unit.*

To institute his so-called "free" gold market he proposes that the Administration announce immediately its intention to return to a full gold standard by a series of steps dated in advance and that the Federal Reserve banks and the Treasury "temporarily suspend all sales or purchases of gold, merely holding on to what they have. Simultaneously with this step, a free gold market will be permitted."

Thus the Treasury, which he says holds 60.8% of the world's monetary gold supply, is to sit on the side lines with its large stock while the so-called "free" gold market is to operate in respect to a very limited supply; and this arrangement, according to his proposal, is supposed to determine the proper dollar price for our entire supply of gold. This is his recommendation for obtaining "a guide to a new dollar-gold ratio that we can hold."

In recent weeks the price for gold in free and quasi-free markets abroad has settled close to, or at, the price of $35 per fine ounce maintained by our Treasury and Federal Reserve banks in their dealings with foreign central banks. This fact is not dealt with by Mr. Hazlitt in connection with his contention that a free market for gold is necessary for us to determine the correct gold value of our dollar. But with a highly restricted so-called "free" gold market, of the type proposed by Mr. Hazlitt, opened in this country, there probably is no way to estimate with any accuracy where the price of this very limited supply of gold might go under the pressure of the speculative forces which might enter the picture.

The incorrectly-labeled "free" gold market proposed by Mr. Hazlitt is the type which has been recommended again and again in recent years by various gold-mine interests who have sought a higher dollar price for gold and another devaluation of our dollar. An important consideration in his proposal that the Federal Reserve banks and Treasury "temporarily suspend all sales or purchases of gold, merely holding on to what they have," is the effect that such an arrangement could have on the value of our dollar in foreign exchange. If Treasury gold could not be used to pay balances due other countries when demanded, this arrangement, combined with a sharply restricted "free" gold market, apparently could lead to a depreciation in great degree of the value of our dollar in terms of gold.

"After watching this [so-called "free" gold] market," says Mr. Hazlitt, "and meanwhile preventing any further inflation, the government, sometime before June 30, 1955, will announce the dollar-gold ratio at which convertibility will take place."

First of all, the "free" gold market proposed could not possibly measure the value of our currency in terms of an unrestricted supply of gold because of the huge supply which the Treasury is to withhold from the market. His proposed "free" gold market is not a free market in any proper sense of the term.

Next, if a very restricted supply of gold is to be subject to the total demand in the proposed "free" market, and if Treasury gold could not be used to settle foreign payments due, it hardly seems logical to think of "preventing any further inflation." If the market for gold is to be "free," even in the unjustifiable sense recommended, the price of gold must be permitted to rise to any height that the forces of demand for and supply of gold and the foreign exchange situation might send it. One cannot have fluctuating prices and fixed prices in a "free" market at the same time.

Then "on and after July 1, 1955," proposes Mr. Hazlitt, "foreign central banks will be permitted to convert dollar holdings into gold bullion, and vice versa, at the new ratio. The free market will continue to be permitted."

Although Mr. Hazlitt does not indicate that Treasury gold would be in the market for foreign central banks at that rate, the statement would seem to lose meaning unless he has that in mind. Presumably, therefore, foreign central banks could buy from and sell gold to the Treasury at the new dollar price for gold while other people would be confined to the restricted "free" gold market. But if the new Treasury price should be, say, $70 per ounce of gold, the "free" market price for gold would of necessity be the same since foreign central banks as buyers and sellers would not be compelled to pay more nor receive less in the free market than the Treasury price for gold.

Regardless of what one may think the meaning of this proposal by Mr. Hazlitt is, it seems clear that he intended to provide foreign central banks with some sort of preference over domestic holders of dollars. And why that should be done is beyond the understanding of this author.

The unjustifiable nature of this proposed discrimination is demonstrated in part by the fact that he would give foreign central banks first claim to our Treasury's stock of gold even though the monthly percentages of foreign withdrawals have shown themselves to be far more erratic than domestic. The latter are relatively low and steady as compared with the percentages of foreign withdrawals. For example, from June to October, 1931, the monthly percentages of our gold exported and earmarked for foreign account ranged from .672 to 15.83 while the monthly percentages in circulation ranged from 1.59 to 2.34. During the months of January-June, 1932, the percentages for the former ranged from 8.15 to 13.55; those for domestic circulation ranged from 2.77 to 4.32. For the decade, December, 1923-December, 1932, the former ranged from .056 (June, 1924) to 15.83 (October, 1931); the latter ranged from 1.44 (April-May, 1931) to 4.81 (December, 1926).

"On Jan. 1, 1956," says Mr. Hazlitt, "the country will return to a full gold-bullion standard. Conversion of dollars into gold bars, or vice versa, will be open to all holders without discrimination." The use of the word "discrmination" here seems to indicate a recognition on his part that in his preceding proposed step someone was being discriminated against. But why there should be discrimination is not made clear.

Then "on Jan. 1, 1957," proposes Mr. Hazlitt, "the country will return to a full gold-coin standard, by minting coins and permitting free conversion."

If one is puzzled as to why he recommends returning to a full gold-coin standard by first instituting the preceding recommended stages, Mr. Hazlitt's answer is that it "is to prevent too sudden a drain on gold reserves before confidence has been reestablished." He does not seem to face the fact here that, when his proposed first step is taken—that is, suspension of redemption at $35 for central banks, demonetization of gold, and the establishment of his so-called "free" gold market—, the only reasonable expectation is that confidence in the future value of our dollar in terms of gold would be sharply impaired and that foreign holders of dollars would convert them into gold as quickly as possible and hold it until our dollar is stabilized again in terms of gold.

Should a nation be so unfortunate as to have a thorough-going system of irredeemable currency, it must, of course, try to determine by the proper procedures the correct size of the gold unit to be adopted. Then its Treasury or central bank must obtain a sufficient amount of gold to permit institution of redeemability.

The United States is not in such an unfortunate position, and there is no valid reason whatever for stepping backward into the quicksand of complete irredeemable currency as a means of starting toward a gold standard. That would indeed be the wrong road to take to redeemable currency. All that is necessary is to take the simple step from our restricted international gold bullion standard to a full gold standard at the present statutory rate of $35 per fine ounce. Our gold stock is ample, in the light of past experience, to permit this.

In an article on "The Dollar-Gold Ratio" in *Newsweek* of March 1, Mr. Hazlitt attempts to give additional reasons why the United States should not attempt to return to a gold standard at our statutory rate of $35 per fine ounce. In that article he reaches out to English experiences of 1925 and 1947 and contends that they provide a valid warning for us. The fact of the matter is that they are irrelevant in so far as we are concerned.

Says Mr. Hazlitt in his conclusion: "It is of the highest importance not only to our own economic future, but to the future of the world, that we do not repeat the British errors by trying to return to gold convertibility at an overvaluation of the paper dollar (which would mean an undervaluation of gold). A temporary free market in gold would give us more guidance regarding what the new conversion rate should be than either an adamant insistence on $35 an ounce or some dubious calculation based on a pure theory."

As a prelude to his quoted conclusion, Mr. Hazlitt discussed Britain's return in 1925 to her pre-World War I gold pound of $4.87 in the face of the fact that the paper pound had fallen, he says, "to a low of $3.18 in February, 1920, and had returned in late 1924 to approximately 10% below the gold parity." He then points to the fall in prices thereafter until Britain abandoned her gold bullion standard in 1943.

From that experience of Britain, Mr. Hazlitt implies that we can derive a valuable lesson in respect to our present situation. There is a lesson in British experience; but it does not have the application to the United States implied by Mr. Hazlitt. The experience of Britain illustrates what may happen if a nation has inadequate gold reserves and adopts a gold bullion standard under conditions which subsequently involve deflation of her superstructure of credit. But that state of affairs is not paralleled in the United States today. Our Federal Reserve Banks and Treasury have maintained the rate of $35 per fine ounce of gold in our dealings with foreign central banks since Jan. 31, 1934. Britain followed no such course 1915-1925. Still further, and in contrast to the British situation in 1925, our gold ratio and surplus reserves in our Federal Reserve Banks are such, in the light of experience, that we should be able to pass from our restricted international gold bullion standard and domestic system of irredeemable currency without the slightest difficulty and with the expectation that our economy should receive a very important "lift" along the lines illustrated so well in 1879.

Mr. Hazlitt also discusses what he describes as Britain's repetition of "this pattern in essence in the summer of 1947, when they tried to make the pound convertible into the dollar at the wholly unrealistic rate of $4.03." The implied lesson here again is that we should consider that experience of Britain and not make a similar mistake, whereas the fact is that Britain's experiences in 1947, as in 1925, or even in 1949, have no relevance to the question of whether the United States can and should institute redemption at $35 per fine ounce—the statutory rate which has been maintained with foreign central banks since Jan. 31, 1934. And besides the maintenance of that rate is the further fact that the rates in the various free or quasi-free gold markets abroad, which have been of no controlling importance in our ability to maintain the price of $35 per fine ounce of gold, have fallen to our official $35 rate—a fact not mentioned by Mr. Hazlitt. And that is a fact which has great pertinence in the type of argument he has been employing.

The proposals of Mr. Hazlitt for full irredeemable currency, demonetization of gold, and apparently another devaluation of our dollar — all offered as desirable preludes to returning to a gold standard — are proposals for evils of the worst sort in the field of money. Only certain gold-mine interests and other devaluationists should be able to find any satisfaction in the Hazlitt contentions and recommendations.

WALTER E. SPAHR,
Professor of Economics, New York University
Executive Vice-President, Economists' National Committee on Monetary Policy

March 15, 1954
New York City.

Joins Calif. Investors

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Murray Ross has become affiliated with California Investors, 3924 Wilshire Boulevard. Mr. Ross was previously with Paul C. Rudolph and Company.

Joins Sutro Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Phillip E. Sperry has joined the staff of Sutro & Co., Van Nuys Building.

With Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John Nardello is with Mutual Fund Associates, 444 Montgomery Street.

Protected Investors Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Carleton O. Van Every has been added to the staff of Protected Investors of America, Russ Building.

With First California

(Special to THE FINANCIAL CHRONICLE)

WHITTIER, Calif. — James C. Flanagan is now associated with the First California Company, 117 East Philadelphia Street. He was formerly with Standard Investment Co. of California and Hill Richards & Co.

Joins Roman & Johnson

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—Karl S. Madsen is now associated with Roman and Johnson, 451 East Las Olas Boulevard.

With Anderson Cook

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla.—John P. Cochrane, Jr. is now affiliated with Anderson Cook Company, Inc., 308 South County Road. He was previously with John L. Ahbe & Co.

Continued from first page

Using Take-Home Yields As Investment Criteria

as a forecasting technique unless it is combined with a study of the risks in common stocks themselves and with some forecast of the movement of bond yields alone.

The purpose of this article is to examine more deeply the theory underlying the bond yield-stock yield analysis and to illustrate how one application of it might be put to profitable use.

Most appropriately, we must begin with the determination of the risks in owning common stocks.

Common Stocks and Dividends

When all is said and done, the pivotal factor in the valuation of common stocks is **the dividends they pay today and may pay tomorrow.** For the dividend is all that the common stockholder ever actually sees of the earnings which his company may realize (short, that is, of liquidation). All the other factors which are conventionally employed in the valuation of common stocks—earnings, book value, financial position, etc.—are relevant only to the extent that they suggest higher or lower dividends in the future.

This is so fundamental that it must be fully understood. Three simple and extreme samples will make it clear:

Stock A has a provision which forbids the payment of dividends forever. Aside from the benefits which it might give through control of mangement, who would pay very much for this stock, no matter how much it earned or how impressive its financial structure might be?

Stock B provides that the dividend will be $2 a share forever, regardless of earnings. This stock would then be a fixed-income security and would move in close sympathy with the prices of bonds and preferred stocks. Earnings and financial condition would influence its price only when they gave rise to fears that the ability to pay the $2 might be threatened.

Stock C provides that everything earned on the common must be paid out to the stockholders. Here, obviously, everything relevant to the earning power of the stock would indeed influence its price—but this influence would exist only because these factors would directly affect the size of the dividend.

If common stocks paid fixed and unchanging dividends—if, in other words, they were all like Stock B — their prices would closely parallel the prices of fixed-income securities. But since common stock dividends are neither fixed nor unchanging, the dividend outlook, both short-term and long-term, is the fundamental determinant of the movement of stock prices relative to the prices of fixed-income securities. In other words, the extent to which common stock prices move independently of the prices of bonds and preferred stocks reflects investor hopes or fears concerning the level of dividends in the future. When investors are afraid that dividends will be cut, stocks will tend to sell low (or give high current yields) relative to fixed income securities; when investors believe that dividends will go higher, stocks will sell high (or give low current yields) relative to fixed income securities. When investors do not anticipate any change in dividends, stocks should sell at their normal relationship with fixed income securities and should fluctuate in close sympathy with them.[1]

Stock Yields and Bond Yields

Thus, both the absolute level and the movement of common stock prices are determined by two factors: (1) the competition from the markets for fixed income investments, and (2) the outlook for dividends.

Statistical analysis, through the technique of linear correlation, reveals that there is a close relationship between current yields on common stocks and yields on bonds, and through this technique we can calculate what the relationship should "normally" be. The correlation is not perfect: deviations develop. These deviations indicate to us whether investors are optimistic or pessimistic concerning common stocks. From the measurement of these deviations, the investor can go on to an analysis of the earning power, financial position, and dividend outlook on common stocks relative to the outlook for bond yields and income tax rates, and then decide whether the apparent optimism or pessimism of investors is justified.

The relationship between bond and stock yields is not a simple one, and a crude correlation of the two will produce highly deceptive results.

In the first place, the effect of income taxes must be given full consideration, both because tax rates are much higher than they were before the war, and also because the greatly broadened tax base means that many more dividend receivers are now taxpayers. Therefore, the proper technique for comparison of bond and stock yields adjusts the latter for income taxes and makes the comparison with tax-exempt bonds: in this way, the **take-home pay** of investors is the focal point, and the distortions arising from the comparison of gross common stock yields with corporate or Treasury bond yields is eliminated. In the calculation described below, the overall tax rate paid for each year since 1929 by the median dividend receiver has been used to make this adjustment. In other words, half of the taxable dividends went to taxpayers who had incomes larger than this fellow and half to taxpayers with smaller incomes. Therefore, the tax rate which he paid should fairly represent the effect of income taxes on the attitudes of of common stockholders.

Secondly, the basic attitude of investors to common stock is not constant. It sways with the tides of time, the fads of investors, the experiences of the generation which happens to be dominating the market at any one time, the political milieu, and so on. Just because common stocks yielded less than bonds in 1929, in other words, is no reason to believe that they must return to that point before another market top is reached. On the other hand, the spread need not become as wide as it was in 1949 before common stocks are once again an outstanding buy. In short, while correlation analysis can determine a "normal" relationship on the basis of past experience, the investor must still be alert to factors which might cause the definition of "normal" to shift.

Where Do We Stand Today?

The two charts which accompany this article are based upon the theoretical analysis set forth above. In these charts, the solid line shows the actual level, on a quarterly average basis, of the Moody's Index of 125 industrial common stocks. The dotted line, or Calculated Price, shows where these stocks would have been expected to sell on the basis of the "normal" relationship between (1) current take-home dividend yield for the median dividend receiver and (2) tax-exempt bond yields. The Calculated Price shows, in other words, where stocks would have been expected to sell if their take-home dividend yield had moved in **precise sympathy** (but not necessarily equality) with the movement of tax-exempt bond yields. To the extent that deviations develop between actual and Calculated Price, investor expectations concerning **changes** in one or more of the variables (dividends, taxes, or bond yields) are revealed.

Why are there two charts? The reason for this lies in the dramatic shift in investor attitudes toward common stocks during 1940 to 1942. The "normal" relationship which had existed from 1929 to 1940 went out of kilter, and from 1941 to recent months, investors have apparently demanded a considerably higher yield on stocks relative to a given yield on tax-exempt bonds than seemed satisfactory before the war. The Calculated Price in Chart I is based on the relationship which existed over the whole period from 1929 to 1953—it is an amalgam of both prewar and postwar attitudes. In Chart II, however, the Calculated Price is derived only from the more favorable attitude toward common stocks which existed before the war. The significance of these differing relationships is discussed more fully below.

Both charts reveal the great waves of optimism and pessimism which have developed in the past. In 1932-33, stock yields were very high indeed relative to bonds; investors were anticipating much deeper dividend cuts or a much sharper rise in interest rates than actually materialized. The opposite was true in 1937. During 1940 and 1941, investors pushed stock prices down despite the existence of very high yields, both because they were afraid that higher income taxes would cut that yield down sharply in terms of take-home pay, and because they feared that government deficit financing would put a squeeze on the money supply and force interest rates up. What actually happened was less than they anticipated, and in particular, interest rates declined, so stocks started to look "cheaper" and moved up in price.

From 1946 to 1949, dividends increased sharply and tax rates were reduced, yet stocks did not rise in price, and the movement of the Calculated Price indicates that this was not unexpected. For, even though the take-home pay on common stocks was growing rapidly, the yield on tax exempt bonds was going up just as fast; therefore, stocks were not getting any "cheaper" even though their take-home yield was rising. Only during 1949, when interest rates turned around and started to fall and dividends seemed relatively secure, did stock yields really begin to look abnormally large and attractive.

By comparing the position of the Calculated Price in Chart I with Chart II, it may be seen that common stocks sold at a much lower price after 1946 than one would have expected on the basis of the prewar relationship between stock yields and bond yields. This suggests a much more cautious attitude on the part of common stock investors during the postwar era — arising from doubt as to the maintenance of dividends and easy money, fear of higher taxes, and, especially, a much greater fundamental reluctance and aversion toward risk-taking in general. To the investor who was persistently optimistic during this period and who also expected prewar attitudes toward risk to return, common stocks must have looked very cheap indeed after 1946. But it is quite apparent that most investors had a much more conservative attitude; stocks did not begin to look cheap to them until interest rates started to drop sharply in 1949, and even then more than two years elapsed before stock yields got down to a more "normal" relationship with bond yields.

In view of these developments, it is all the more remarkable that both charts reveal an extremely **optimistic** attitude on the part of investors during 1953. Even though the yield on tax-exempt bonds was rising rapidly and even though a recession in business was almost unanimously anticipated, common stocks continued to sell substantially above the levels that one would have expected in terms of their take-home pay relative to tax-exempt bonds. Even on the basis of prewar attitudes, stocks were as high relative to bonds in 1953 as they had been in 1937 and very much higher than they were in 1946. This means either that investors were anticipating a very substantial increase in dividends after taxes, or they expected a very sharp decline in interest rates, or that an entirely new attitude toward common stocks was developing.

The Calculated Price for the final quarter of 1953 already includes the 10% income tax rate cut slated for Jan. 1, 1954, since that was by then generally accepted as inevitable and pretty much discounted in stock prices. Therefore, investors must have been anticpating something even better. Yet, in order to justify the actual price prevailing at the end of 1953, divdends would have had to increase much more than any critical observer would have considered possible. With tax rates remaining at 1954 levels and no change in bond yields, the annual dividend on the Moody's index would have had to rise from $4.25 to $5.60 on the basis of the prewar relationship between stocks and bonds, or to $6.70 on the basis of the relationship which prevailed over the whole 1929-52 period.

In terms of dividends after taxes, the actual price in the fourth quarter of 1953 would have been justified if, on the basis of the prewar relationship, dividends had been made entirely tax free. To justify the actual price on the basis of the relationship for the whole period, dividends would have had to have been made entirely tax free and then raised about 20% to boot!

If dividends and tax rates remained the same, the actual price in the fourth quarter would still have been justified if bond yields had declined. But, on the basis of the prewar relationship, bonds would have had to shrink to the level prevailing in early 1951—the entire decline in the bond market since the pegs on long-term bonds were removed would have to be retraced. In terms of the relationship for the whole 1929-53 period, bond yields would have to decline to levels which had not been seen since the peak of the bond market in 1946!

In short, it would appear that the prices which investors were willing to pay for common stocks in the fourth quarter of 1953 indicated a most extraordinarily optimistic forecast of dividends, tax rates, and bond yields. But another possibility also exists. Perhaps the past "normal" relationships between bond yields and

1 These observations are as true of individual stocks as of common stocks as a whole. "Growth" stocks yield much less than stocks of companies whose dividend fluctuates widely, while "old ladies' stocks" are most responsive to changes in interest rates.

CHART I

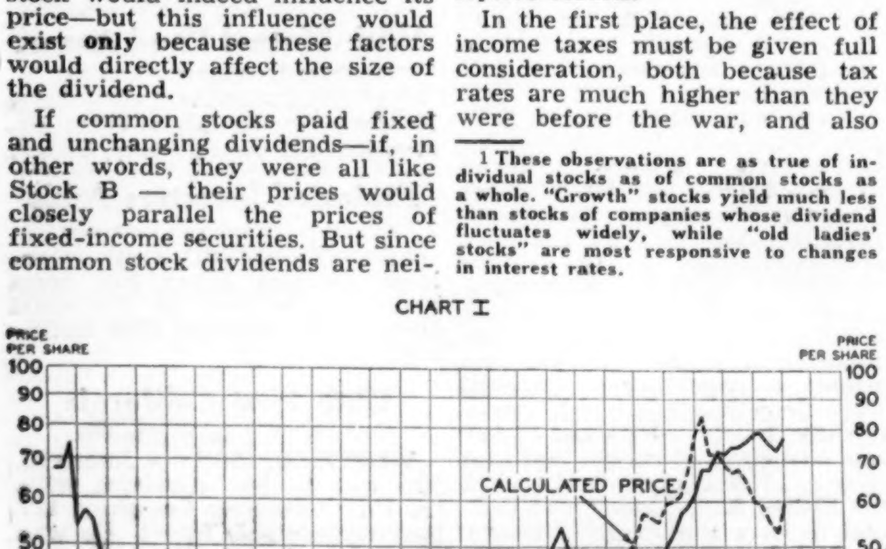
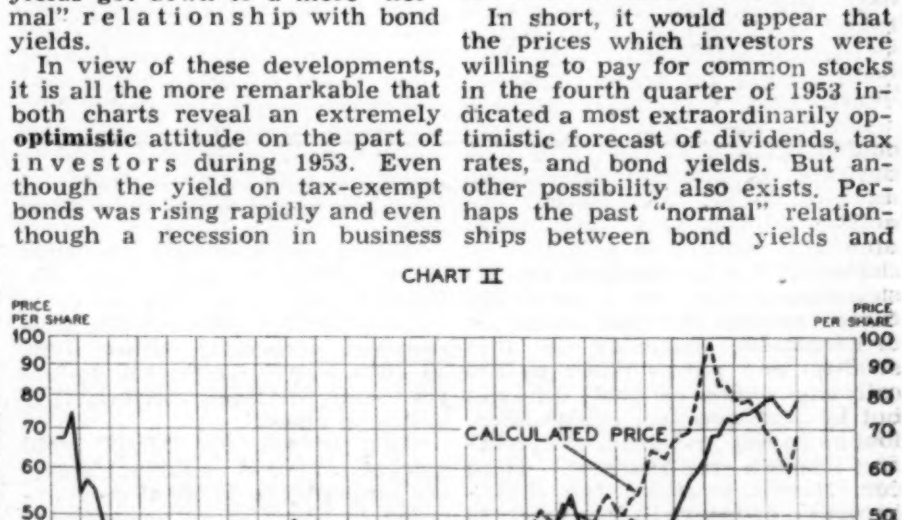


CHART II



stock yields were no longer valid: investors might, in other words, have so changed their attitude toward common stocks that they were content with a narrower spread between take-home dividend yields and tax-exempt bond yields than the experience of the past 24 years would have suggested. Both political and institutional influence might support such a thesis.

Finally, there is the additional possibility that, whatever their beliefs, investors were being overly optimistic in their outlook (just as they were in 1929 and 1937). The charts show clearly that the yield from common stocks after taxes was abnormally low relative to tax-exempt bond yields at the end of 1953, and, therefore, if the Administration is not successful in creating the business milieu for which investors were hoping, or if the recession develops into something more serious than most people have been expecting, or if dividends are cut faster than taxes can be reduced, stocks are likely to come tumbling down. The curves suggest that the decline in stock prices from the average level of the fourth quarter of 1953 would then be on the order of 12 to 25% at least; in view of the tendency of actual price to overswing Calculated Price, the decline might be even sharper than that.

Significance of the Yield Relationship Technique

No mechanical method can ever replace the use of judgment in investment management, and no "system" exists for accurately and consistently forecasting the movement of the security markets. That goes as much for the technique explained here as for any other "system."

But judgment wisely used is based on facts, and facts are found by asking the right questions. The great value of the analysis of bond yields and stock yields lies in the manner in which it points to the crucial questions. It reveals when a condition of "abnormality" is to be restored. Or, perhaps, as in recent months, it makes us stop and ask whether or not the definition of "normality" will have to be changed.

Furthermore, the fundamental validity of the approach rests upon the recognition that no single outlet for investment funds exists in a vacuum. They all compete with one another. These curves are, indeed, as important for the buyer of bonds and for the buyer of stocks.

It is also worth mentioning that, once the interrelationships, among the competing outlets for investment funds are recognized and understood, there are no arbitrary upper or lower limits to which stocks might go. Stocks need not stop rising when they get to 20 times earnings, nor need they get to 20 times earnings before they start to fall; they may be historically high and yielding very little, but if bond yields are also very low and likely to remain low and if dividends are safe or rising, common stocks can stay up or go higher. The upper limit to the movement of stock prices is reached only when they yield less **in relation to their risks** than the investor can obtain elsewhere.

The emphasis in this article has been upon the theoretical and historical background of the yield-relationship approach to investment policy. Therefore, in an effort to keep the article from being too cumbersome, I have not discussed the questions (and answers) raised by events since the beginning of 1954.

I might point out, however, that the new tax relief proposed for stockholders and the movements of stocks and tax-exempt bonds since the turn of the year seem to heighten further the value of this particular technique.

Mutual Funds

By ROBERT R. RICH

THE NATION'S INVESTORS and the general public are showing increasing recognition that "there are powerful long-term sustaining forces in the economy which will prevent a serious decline and reverse the downtrend of business activity," National Securities & Research Corporation reported in a study prepared by its Economic and Investment Department.

This optimistic outlook, the study said, comes at a time when the moderate decline in business activity which began in the late stages of 1953 "has not yet run its course."

"Maintenance of employment and personal income at levels only moderately below the estimated record highs of 1953, large corporate profits, and substantial Government expenditures will be the major bulwarks of continued high business activity during 1954," the study found.

The long-range forces, as enumerated in the study entitled "The Outlook for the Remainder of 1954," are (1) additional goods and services needed to provide for the nation's constantly increasing population; (2) continued high level of expenditures for plant and equipment to make this production possible and reduce costs; (3) technological advances, which accelerate obsolescence and open new vistas for numerous new products; (4) substantial construction backlogs for required highways, schools, hospitals and other public facilities, and (5) the strong financial condition of corporations and consumers.

"Consumers have large holdings of cash and other liquid assets, and their aggregate disposable income continues at levels well above those required to meet basic living costs," the survey showed. It also pointed out that corporations currently have sizable amounts of working capital at their disposal which continue to be bolstered by retained earnings and depreciation reserves, especially under accelerated amortization provisions.

Defense expenditures are expected to continue at a high level for an indefinite period, while tax revenues are expected to dip, partly because Congress and the Administration appear to favor tax slashes. "This points to larger deficits, which should act as a sustaining force of an inflationary nature," it was stated.

Perhaps of greater significance in the immediate future, the study asserted, is the assurance which the Administration has given that the Federal Government is ready to use "its formidable arsenal of weapons for maintaining economic stability." These include credit controls administered by the Federal Reserve System, debt management techniques of the Treasury, and the authority of the President to vary the terms of mortgages backed by Federal insurance.

"Corporate earnings," the study reported, "will obtain further support from greater operating efficiencies and the expiration of the Excess Profits Tax. The strong financial condition of most U. S. corporations should permit a continuation if liberal dividend disbursements. These are major factors which should provide a sound base for the maintenance of a good average level of stock prices."

The study said that while common stock prices will continue to vary widely on an individual basis, in terms of the Dow-Jones averages "we believe that during 1954 they will fluctuate somewhere between the following minimum and maximum figures: Industrials Low 275—High 315; Railroads Low 85—High 110; Utilities Low 50—High 57."

Statistically, the study indicated a general upturn in business activity during the final half of 1954 as compared with the first six months of the year. For example, the nation's retail trade volume was estimated at about $83,000,000,000 for the first half and at about $85,000,000,000 for the final half, bringing total for the year to some $168,000,000,000 against $171,000,000,000 for 1953.

Cash farm income, including Government payments, was estimated at $12,000,000,000 for the first half of 1954 and at $18,000,000,000 for the final six months, bringing total for the year to $30,000,000,000 against $31,200,000,000 in 1953.

Net earnings after taxes for all U. S. corporations will average about $18,500,000,000 at an annual rate in the first six months of 1954 and approximately $19,500,000,000 at an annual rate during the last half of the year, it was estimated. The 1953 earnings were about $19,600,000,000.

Net corporate dividends, it was estimated, will average about $9,400,000,000 at an annual rate in the first half of 1954, and about $9,600,000,000 at an annual rate during the final six months. For 1953, the year's preliminary total is $9,300,000,000.

The study's estimate of the "Gross National Product" was placed at $353,000,000,000 at an annual rate for the first half of the year and at $359,000,000,000 for the second half. The overall 1954 estimated total of $356,000,000,000 compares with $367,200,000,000 for 1953.

THERE HAS BEEN a new word added to the English idiom—"investostat"—defined by its originator, Nancy Dillon, a mutual fund specialist and member of the National Association of Securities Dealers, Inc., as a "device for regulating the flow of expenditure of personal income to maintain a healthy balance of economic security, current and future."

"Investostat" is presumably a candidate to join the 200,000 words defined in the New Century Dictionary. The New York Stock Exchange pay-as-you-go plan for ownership of common stocks listed on the New York Stock Exchange suggested the question to Miss Dillon of the Dillon Company, 520 Fifth Avenue, New York City—how will fledging investors know how much current income to invest. She coined the new word "investostat" to show the measure and control of financial expenditure as the thermostat measures and controls room heat.

Miss Dillon, who everyday is blueprinting investment plans for women and helping them build towards a goal of financial security, predicted that women, two to one over men, will take advantage of this self-disciplined plan as they have in mutual funds. They like the professional supervision, the diversification and the simplicity of the transaction.

During the past several years women have revealed that there is a mounting concern for securing their financial futures. The stepped-up interest in geriatrics has made it common knowledge

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Bruns, Nordeman Opens Mut. Fds. Dept.

Bruns, Nordeman & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange and other leading exchanges, has announced the formation of a mutual funds department. Heading the new department is Carroll Sexton, formerly with Shearson, Hammill & Co. and Hayden, Stone & Co. Mr. Sexton has spent his entire working life in various sales and sales promotion positions.

Carroll Sexton

Continued from first page

Where Do We Stand Today?

other words, the pattern of the economy to come will be decided within the framework of the belief that we are in a "readjustment" — but not a "depression." There's more than a play of words at stake—so let's examine the evidence.

A Transition Period

Everyone in this room knows we are going from a period where the pressure was on expansion of facilities and adequacy of raw materials to a period where low costs, efficiency and salesmanship are king. Everyone knows we now are in a period where surpluses are the rule rather than the exception. A period where, except for aircraft and atomic power, the trend of defense spending is down rather than up. Thus, I think it's a little naive to label the present down-turn in business as merely an "inventory correction." In my opinion, the decline in the FRB index of industrial production reflects a transition to a New Era of peace and plenty—of normalcy—of the fluctuations inherent in a free economy. I'd like to repeat this definition for it's the key to the outlook.

What does normalcy mean? Well, many things; for example: (1) A period where discounts from list price are the rule, not the exception. As you will recall, this was true before World War II. (2) A period where there is excess manufacturing capacity. And this was true even in the 1920's. (3) A period where some industries prosper — but others don't. And this, too, was true in the 1920's.

In other words, normalcy means three things: (a) That individual industries can suffer their own private readjustment — and then improve counter to a general trend. (b) That every day won't be another New Year's Eve for every businessman, (c) That competition rules the roost. Why be disturbed about a competitive era? Isn't competition an aggressive, positive force for the better? Doesn't it mean an attempt to stimulate sales via new products — an attempt to cut costs by ordering new machinery?

Inbuilt Stabilizers

Above all, don't forget that we are returning to normalcy with a cushion which can't be underestimated: the fact that this is a New Era—a Big Era. There are inbuilt cushions — stabilizers — which never existed before. Note the following:

(1) There has been and will continue to be a tremendous increase in our population—and this spells a new market for America's entire productive capacity. Not just baby carriages. Further, the biggest population increase in the next 10 years will be in the below 18, and above 65 age groups. In turn, this means that the growth will be in the ranks of the consumers rather than producers—which adds up to a tight labor market, a demand for labor-saving equipment.

(2) If you'll reflect for a moment, you can visualize the evidence reflecting the redistribution of our national income in the past 25 years. A tremendously large middle class has been created—and the share of the top 5% has been whittled away. In other words, the segment which proportionately spends the most has enjoyed the best gain in income. At the same time, the standard of living has improved—all of which opens up markets.

(3) If you'll think about the items in your home today, you'll have a concrete illustration of the new markets constantly being opened by America's inventive genius. Antibiotics, "squeezable" bottles, aluminum wrapping foil, television, sponge rubber cushions, washable paints, and a host of other items have spelled important sales for many companies. True, "research" isn't an art which has just been discovered. It existed in the 1920's and 1930's, too. But it wasn't on the same expanded scale, or carefully planned basis, in force today. Now, product development is a very important key to corporate success; in the 1920's and 1930's other factors were paramount. In other words, World War II and Korea EPT accelerated the entire creative cycle—and intensified the business impact of research.

Other factors also contribute to this New Era—but the most important consideration is that they all are inter-related. For example: an increasing population means a bigger demand for homes; the population shift from cities to suburbs means a higher demand for cars; more homes means a market for more appliances; the redistribution of income means a better ability to finance wants; etc.

A Major Depression Unlikely

Equally important, this play of forces suggests that a major depression is unlikely at this time. I am in full accord with Mr. Hoover. But the "Fabulous Fifties" don't mean you can't have a corrective recession or readjustment. We're in one now! The complaint that business isn't "what it used to be" is fairly universal. But have you ever heard of a recession which was so relatively painless—where important industries, such as steel and auto, are off sharply from this peak — yet the country as a whole is quite prosperous? This is because these are the "Fabulous Fifties."

If the present recession is to be of the average depth and duration of past recessions, it should end in mid-summer and full recovery be underway by the latter half of 1955. Based upon this historical pattern, the low quarter will be as high as the peace-time peak reached before Korea. Surely, such a readjustment need not be frightening — particularly if the fundamentals suggest that the historic pattern will be followed in broad outline, with some variations. Here is my specific forecast:

I believe the previous downturn is "flattening out" and there will be a Spring upturn of minor proportions. This prediction is based upon the following evidence: The sharp uptrend in claims for unemployment compensation has stopped; judging by retail sales, the consumer is still in a buying frame of mind; business sentiment is good, which means capital expenditures are high; there are signs of a nearby pick up in some heretofore lagging industries.

But, and it may be a big "but," the Spring upturn may be partly illusory. For one thing, I question whether it will reflect an end of the present transition period, or mean that a solid base has been established for a new, broad upturn. Secondly, the Administration might be misled by the surface signs of betterment and hold off the direct stimulants it has talked about. Let there be no mistake about the fact that a managed economy definitely is one of the important factors contributing to the "Fabulous Fifties." But an expanded public works program, for example, would take months to become an effective business stimulant. Thus, I feel 1955 is the year when the present cycle will be complete.

Stock Market Outlook

What does all this mean to the most fascinating business in the world: The stock market? Fascinating—because it is a constant challenge to the intellect; industry just doesn't stand still. Fascinating—because the analysis of trends is an inexact science where the qualitative factors are more important than the quantitative. Fascinating — because there is a very personal element in running a business—there is as much difference in companies as there is in people. The stock market should be fascinating to you, too, for it is the only business which can daily offer you better than 1,000 different products—via a chance to become a partner in different companies.

Fact that the economy is in a transition period has not — and need not — have a direct bearing on stock prices. Provided, of course, that the business readjustment holds within expected limits. There have been many instances in the past when prices moved independently of the business and earnings trend; 1947-49 is the most recent illustration. Then, business was good, earnings and dividends were rising — but the market was stationary. Why? The valuation factor — the price times earnings ratio—was in a downtrend. Similarly, the valuation factor—the premium you are willing to pay to be a partner in industry — now is going up. And this can off-set a moderate recession — particularly inasmuch as it is supported by the facts that:

(1) It takes a surprise to make a new market trend — and this recession is not a surprise. Figuratively, we've been looking under the bed for a depression for several years.

(2) The fact that you've become economic hypochondriacs has been reflected in the stock price level. The market has undergone a constant, selective, weeding out process — witness the fact that two-thirds of the stocks listed on the New York Stock Exchange declined last year.

(3) By and large, corporate earning power should hold up well in 1954 due to EPT elimination, the increased efficiency permissible at lower operating rates, etc.

(4) A dollar of earning power obtained in a competitive economy is worth more than earnings obtained in a sellers' market — for we've become so sophisticated we lightly value earnings which might be non-recurrent.

Above all, there haven't been any speculative extremes to be corrected as was the case in 1929 and 1937; the market never got distorted during the recent business boom. I'm not talking about the immediate situation — the shorter range outlook. It's quite possible the market may be getting a little ahead of itself, so to speak. Psychologically, too much may have been taken for granted —too soon. Rather, I'm trying to explain a condition which may have puzzled you: rising prices in the face of poor business news.

In like vein of thought, I might also mention that the stock market has the benefit not only of the same special cushions which make this a New Era in business —but two other considerations:

(1) Common stocks today are more "respectable" than ever before in financial history; the base of ownership not only is wider, but sounder.

(2) With the market dominated by the so-called professional buyer, there is a new element of stability in the price structure—and the extreme fluctuations so characteristic of past markets may be avoided. This because the fund managers—the trustees — usually are true long-term investors and are likely to be a fairly constant source of demand for stocks.

Emphasis on Quality Stocks

Meanwhile, however, the professional buyer's emphasis on certain quality standards — such as the strongest companies in the most stable industries or those with the greatest growth prospects—has created a disparity in the values offered in return for the security dollar. In other words, with most fund managers and trustees following some semblance of the "prudent man" rule —which means they attempt to minimize the risks of equity ownership—it was inevitable that their security interest be confined to a relative handful of issues. In the process, the natural selectivity which would accompany and reflect the end of a sellers' market was greatly emphasized. A new condition came into being — one where the bulk of the listed issues either did nothing or declined—whereas the "carriage trade" equities advanced or held at a high level. Yet, the facts remain that:

(1) No industry, or company, has a monopoly on growth; it can be found in the least expected places.

(2) There are sound, well established companies in addition to the "favored few" who can prosper in a competitive economy.

To express it another way, many of the stocks of companies "passed over" by our institutionalized markets of the past few years have a definite claim to fame on their own merits. Furthermore, every phase of the business cycle finds new candidates for success stories—for growth. And styles in securities do change. Thus, the logic of market cycles alone suggests that the alert security buyer would be well advised to look beyond the stocks which have enjoyed a private bull market in the past year or two. And 1954 is a particularly appropriate time to widen your security horizons inasmuch as:

(1) Most fund managers are fully cognizant of the fact that they must seek new candidates for their so-called "approved lists" if they are not to continue to compete with each other. Even the "prudent man" rule can be defeated by too high a price—by a scarcity value which limits marketability.

(2) If the bull market is to really flower from here out, it will be because public interest widens. Important as is the institutional investor, his security purchasing power is only a fraction of the total market value of all common stocks. In this connection, the so-called "average" security buyer is more apt to think in terms of high yields—low price-times-earnings ratios—than the often intangible hallmark of quality.

(3) On the fundamentals alone, the premium now being paid for the "carriage trade" stocks seems too high in relation to the valuation factor accorded the issues which fall in the category of business man's risks. Size is not necessarily a guarantee of performance.

The figures in the accompanying table covering averages of 12 issues which I believe are currently institutional favorites, and 12 which I believe might be considered more in the business man's risk category illustrate the point. Issues in the respective categories follow:

Carriage Trade Stocks—	*Business Man's Risks—*
Aluminum Co. of America	Allied Stores
Continental Can Co.	Bethlehem Steel Corp.
Corning Glass Works	Borg-Warner Corp.
Crown Zellerbach Corp.	Bridgeport Brass Co.
General Electric Co.	Firestone Tire & Rubber
General Foods Corp.	General Motors Corp.
Jewel Tea Co.	Green (H. L.) & Co.
Minneapolis-Honeywell	Lowenstein (M.) & Sons
Minnesota Min. and Mfg.	National Gypsum
National Dairy Products	Rayonier, Inc.
Pfizer (Chas.) & Co.	United Air Lines
Union Carbide & Carbon	U. S. Plywood

	Carriage Trade Stocks	Business Man's Risks
% Advance		
1947 Low to 1950 High	78.4%	90.4%
1950 Low to 1953 High	109.0%	83.0%
1952 Low to Feb. 1954	49.6%	25.9%
Price Times Earnings For That Year		
At 1947 High	12.2	6.5
At 1953 High	16.0	7.4
Feb. 1954 High (vs. 1953 Earns.)	16.5	7.0
Price Times Book Value That Year		
At 1947 High	2.1	1.2
At 1953 High	2.2	1.0
Feb. 1954 High (vs. 1953 Book)	2.3	0.9
% Increase Book Value Per Share		
1947-50	41.5%	41.0%
1950-53	25.0%	27.9%
1947-53	76.9%	80.5%
Yield Based on Div. For That Year		
At 1947 High	3.5%	5.0%
At 1953 High	3.4%	5.8%
Feb. 1954 High (vs. 1953 Div.)	3.2%	6.0%

To put it in a word, from 1947 to 1952 our average of "carriage trade" stocks commanded only a slight premium over our average of "business man's" risks. The spread between the two groups began to widen in 1952 and now has reached an extreme point where prudence alone suggests that either: (a) The business man's risks will recover some of the relative ground lost, or (b) The carriage trade equities will decline. I think the former condition will prevail.

Thus far, you—the public—have not been really eager security buyers in volume. I'm afraid a fetish has been made of an unobtainable "security"—in disregard of two elementary facts:

(1) Our nation was built on speculation—by people who assumed risks because the potential rewards justified them.

(2) There is no such thing as an unqualifiedly safe investment; fluctuations are part and parcel of the capitalistic system.

Expect a Tremendous Burst of Speculative Excitement

Some time in the next few years, however, I believe this condition will change and be followed by a tremendous burst of speculative excitement. The background is explosive, for the stock market is the least inflated section of the economy and we are favored with a "business minded" Administration which is encouraging capital. In turn, this means that the valuation factor as applied to all forms of property—including common stocks—probably is in a long-term uptrend.

Except for Korea, the last period of broad public participation was in 1945-46. But, if the biblical

"seven years of great plenty arise after seven years of famine" holds true, the speculative pendulum may soon swing the other way. The "Fabulous Fifties" probably will be climaxed by a mass excitement for equities.

How can you capitalize on this background—make security ownership pay? Very easily—by following a few simple rules:

(1) Don't be confused by the terms "investment" and "speculation"; basically, the two are not greatly different—for a good investment also must be a good speculation. Risk is assumed when any security is bought—so why not look for an appreciation potential which compensates? There is nothing illegal, immoral or fattening about speculation.

(2) Act with your intellect rather than your emotions, for the market reflects all the human frailties. This means you'll need: (a) Patience, for the market at times is emotional and over or under-valuation isn't always quickly corrected. (b) The courage to go counter to the crowd; unanimity of opinion in itself is dangerous. (c) Perspective—for styles in securities change and prejudices can be costly.

(3) In other words, the secret to market success is the same common sense required to operate a business. For example: (a) In merchandising, the first inventory loss usually is the smallest—in stocks limit your losses. (b) In most businesses, one or two items usually account for the bulk of profits. In stocks, this means concentrate—don't make a fetish of diversification, it only complicates your problem. (c) In industry, equipment is bought when needed —price is secondary to the potential advantages. In stocks, don't be guided exclusively by past prices; the market makes history —not history the market.

(4) In so selective an era as this one—where there are constant cross currents—generalizations can be misleading. The acid test of any commitment is price—the company's management and trade position, rather than theories about the market as a whole. Thus, any time is a good time to buy a good stock.

In a word, there is a very personal element to success in the stock market. As I observed two years ago, the market is no different than life itself; it doesn't offer security — but it does offer a wealth of opportunities.

Stromberg-Carlson Co. New Pfd. Stock Offered

Holders of common stock of Stromberg-Carlson Co. are being offered 72,025 shares of the company's 4½% convertible preferred stock, $50 par value, on the basis of one share of preferred for each seven shares of common stock outstanding. The stock is being offered at $50 per share to holders of common stock of record March 15, 1954. At the expiration of the subscription period on March 31, 1954, an underwriting group headed by The First Boston Corp. will purchase any unsubscribed shares.

Stromberg-Carlson Co. manufactures, sells and distributes its own telephone switchboards, instruments and supplies; home television, radio, record playing equipment and radio-phonograph instruments; and public address and other sound equipment apparatus. The company also owns and operates a television station and two radio stations in Rochester, N. Y. Consolidated gross income from operations for the year ended Dec. 31, 1953, totaled $65,-242,000 and net income amounted to $1,677,000, equal after preferred dividends, to $3.42 per common share.

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The State of Trade and Industry

Plymouth and DeSoto boosted schedules by approximately 28% and 51%, respectively.

The sharp upturn last week marked the highest weekly total for the Chrysler Corp. since the week of Jan. 23 and placed Big Three passenger car output for the week at some 107,834 units. General Motors pushed production up 3% and Ford Motor Co. held to the high level of a week ago.

Independents, meanwhile, turned out about 3,345 cars. Hudson was down all week and Studebaker operated only four days at Los Angeles on car assembly, nullifying gains at Kaiser, Willys, Nash and Packard. The latter's weekly total, second only to Nash, followed a one-week shutdown. In the previous week the independent group accounted for a little over 4% of car volume, with 4,625 completions, states this agency.

Steel Ingot Rate Scheduled to Drop Further This Week

March is failing to be the good steel producing month that some people hoped it would be says "Steel," the weekly magazine of metalworking, the current week.

Marking the third consecutive week of decline, the ingot output rate in the week ended Mar. 14 was at the year's low point of 68.5% of capacity, or a decrease of 1.5 points from the preceding week's 70%, which until now was the year's low mark, it states.

While the latest national operating rate is 68.5%, not all of the country's producing districts were that low. Although only two districts showed increases those two were the highest in the nation: Detroit, with 80.5%, and Wheeling, with 82.5%. The two largest producing districts were also above the national rate. They are: Chicago, with 78.5%, and Pittsburgh, with 78%, it adds.

As to the future direction of the national steel ingot production rate, "Steel," declares that you can find influences in two directions, adding, there are indications the automakers, the largest users of steel, may reduce their steel orders this month. On the other hand, some steel producers who have been restricting their ingot output while they use up stocks of semi-finished steel will eventually exhaust these stocks.

In the meantime, observes this trade magazine, the generally lower demand for steel is having a moderately depressing effect on steel prices. After 11 consecutive weeks of steadiness, "Steel's" price composite on finished steel declined in the week ended Mar. 11 to $113.73 a net ton from the preceding week's $113.91. Also reflecting the pressure on prices and effect of foreign competition is the reduction by United States Steel Export Co. of its export prices on 11 major items to about parity with the domestic market on the Eastern Seaboard. Effective Mar. 10, the reductions range from $1 a ton on hot-rolled bars to $10 a ton on reinforcing bars and some of the wire items. The price line is being held, however, on domestic prices of tin plate and tin mill products. Present prices, concludes "Steel," will continue through the next pricing period of April 1 through Sept. 30.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 67.8% of capacity for the week beginning March 15, 1954, equivalent to 1,616,000 tons of ingots and steel for castings, as against 1,652,000 tons and 69.3% (actual) a week ago.

The industry's ingot production rate for the weeks in 1954, is now based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

For the like week a month ago the rate was 74.6% and production 1,779,000 tons. A year ago the actual weekly production was placed at 2,288,000 tons or 101.5%. The operating rate is not comparable because capacty was lower than capacity in 1954. The percentage figures for last year are based on annual capacity of 117,547,470 tons as of Jan. 1, 1953.

Electric Output Recedes in Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, March 13, 1954, was estimated at 8,519,000,000 kwh., according to the Edison Electric Institute.

The current figure represents a decline of 67,000,000 kwh. below the preceding week, but an increase of 381,000,000 kwh., or 4.7% over the comparable 1953 week and 1,105,000,000 kwh. over the like week in 1952.

Car Loadings Hold to Downward Course

Loadings of revenue freight for the week ended March 6, 1954, decreased 4,464 cars, or 0.8% below the preceding week, according to the Association of American Railroads.

Loadings totaled 590,567 cars, a decrease of 94,297 cars or 13.8% below the corresponding 1953 week, and a decrease of 122,-545 cars or 17.2% below the corresponding week in 1952.

U. S. Auto Output Rises 2% Above Previous Week

Automobile output for the latest week advanced 2% ahead of previous week as Chrysler Corp., Plymouth and DeSoto boosted schedules, according to "Ward's Automobile Reports."

The industry, "Wards" states, turned out an estimated 111,-179 cars last week, compared with 108,804 (revised) in the previous week. A year ago the weekly production was 126,616.

Last week, the agency reported, there were 21,578 trucks made in this country, as against 20,805 (revised) in the previous week and 28,992 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 8,419 cars and 2,097 trucks last week, against 7,981 cars and 1,673 trucks in the preceding week and 7,536 cars and 2,618 trucks in the comparable 1953 week.

Business Failures Continue Mild Rise

Commercial and industrial failures edged up to 229 in the week ended March 11 from 223 in the preceding week, Dun & Bradstreet, Inc. disclosed. Casualties were considerably higher than the 165 which occurred in the comparable week a year ago and the 156 in 1952, but they continued 20% below the prewar level of 286 in 1939.

Among failures with liabilities of $5,000 or more, there was an increase to 201 from 194 in the previous week and 145 in the similar week of last year. Small casualties, those with liabilities under $5,000, dipped to 28 from 29, yet remained slightly above their total of 20 in 1953. Nineteen business succumbed with liabilities in excess of $100,000, as against 20 a week ago.

Wholesale Food Price Index Establishes Fresh New Three-Year Peak

A further moderate rise last week carried the Dun & Bradstreet wholesale food price index for Mar. 9 to a new three-year peak of $7.25. This was up four cents over last week's $7.21, and marked a gain of 15.4% over the corresponding 1953 week at $6.28.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Scores New High For Year

Although moving in a narrow range, the Dun & Bradstreet daily wholesale commodity price index reached a new high for this year during the past week. The index closed at 277.81 on Mar. 9, comparing with 277.20 a week previous, and with 281.23 on the corresponding date a year ago.

Grains continued to move irregularly higher last week, led by soaring soybean prices which rose to new highs for the past six years on strong demand from export interests and crushers. Strength in wheat was stimulated by substantial mill and export buying and continued unfavorable weather conditions in most Winter wheat areas, coupled with large stocks under Government control. Corn values advanced slightly reflecting a sharp decline in producer marketings. Oats were somewhat firmer in sympathy with other grains. Sales activity on the Chicago Board of Trade increased sharply last week. Daily average purchases of grain and soybean futures totaled 67,100,000 bushels, against 46,100,000 the previous week, and 48,500,000 a year ago.

Demand was stimulated by the announcement of another round of price increases of about 5 cents a pound for leading vacuum packed coffees.

Trading in the domestic raw sugar market was more active last week. Prices tended higher with strength attributed to buying by southern refiners who advanced their prices on cane granulated 15 points to 8.65 cents a pound.

Erratic fluctuations featured trading in the cocoa market in the preceding week following a sharp dip early in the period. Some weakness developed toward the close reflecting weakness in the London market and prospects for a good mid-season crop in Brazil. Warehouse stocks of cocoa were up sharply and totaled 128,250 bags, compared with 83,499 a week ago, and 78,053 a year ago. Lard prices held firm the past week reflecting renewed strength in related markets with some buying influenced by expectations that production will be light for several months.

Spot cotton prices edged slightly higher last week, influenced by reports of dryness in southwestern parts of the belt.

Also tending to support values was the belief that the Administration would not be able to obtain approval of flexible price supports.

Demand from foreign sources slackened except in the Far West where sales for export were reported fairly large. Repossessions of loan cotton during the week ended Feb. 26 totaled 55,500 bales, and continued to exceed entries which amounted to 27,800 bales in the same period. CCC stocks of 1953 loan cotton amounted to 6,394,600 bales as of Feb. 26.

Trade Volume Shows Mild Rise Over Most Parts Of the Country

The approach of Spring was reflected in a mild seasonal rise in retail trade in most sections of the nation in the period ended on Wednesday of last week. While most merchants were unable to match the high sales figures of a year ago, shoppers' response to reduced price promotions continued to be robust. Retailers of food generally continued to top the sales figures of a year earlier.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 3% below to 1% above the level of a year ago. Regional estimates varied from the corresponding level of a year ago by the following percentages: New England and Northwest —3 to +1; East —4 to 0; South and Southwest —1 to +3; Midwest —2 to +2; Pacific Coast 0 to +4.

The return of mild weather rekindled the interest in Spring clothing last week. However, demand did not measure up to the level of a year ago when Easter was two weeks earlier. Among the most popular items were women's coats and suits and children's toggery. The call for men's casual clothing remained close to the level of a year before. While the buying of shoes gained slightly, it did not match the high level of a year before.

Television sets were more frequently purchased than a few weeks ago but not as often as a year before and the demand for automobiles rose seasonally.

As many buyers placed re-orders of seasonal merchandise, trading activity spurted slightly in many wholesale markets in the period ended on Wednesday of last week. However, the total dollar volume of wholesale orders remained somewhat smaller than that of a year ago as it has during recent weeks. Many buyers limited their commitments to small re-orders for immediate delivery. Some apparel suppliers warned of possible delivery bottlenecks if consumer demand rises noticeably later in the season.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended March 6, 1954, decreased 11% below the level of the preceding week. In the previous week, Feb. 27, 1954, a decrease of 3% was reported from that of the similar week in 1953. For the four weeks ended March 6, 1954, a decline of 4% was reported. For the period *Jan. 1 to March 6, 1954, department store sales registered a decrease of 2% below the corresponding period of 1953.

Retail trade in New York the past week under the stimulus of good weather showed a gain of from 2 to 3% above the like week last year.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended March 6, 1954, registered a decline of 7% below the like period of last year. In the preceding week, Feb. 27, 1954, no change was reported from that of the similar week of 1953, while for the four weeks ended March 6, 1954, a decrease of 1% was reported. For the period *Jan. 1 to March 6, 1954, no change was registered over that of the 1953 period.

*Comparison period begins with the Jan. 4-9 week in 1954 and with the Jan. 5-10 week in 1953.

Continued from first page

As We See It

had been a basic alteration not only in current policy but in basic thinking about such things. True, this was in reality a continuation of a general course of action begun before the elections of 1952, but it seemed to gain strength and courage from a rather different set of ideas prevailing in Administration quarters. All this was, of course, promptly reflected in the governments market, and even this much of an approach to rationality in financial management soon raised cries which made the welkin ring. It did not take either the Treasury or the Federal Reserve authorities long to begin to wince and relent and refrain. There has been no return to pegging as such, but a glance at the situation in the money market today leaves no room for doubt that we are a long way on the road to a full return to what was being so roundly condemned when Mr. Roosevelt and Mr. Truman were in the White House, and the return is being widely, almost universally, hailed as constructive statesmanship!

Just a Detail

The fact that the emphasis is now not on the ease of getting funds to meet Treasury deficits, but rather to stimulate business, is hardly more than a detail. The fact is that even in the days of wholesale pegging of governments, the authorities were constantly bowing down in worship to vanishing interest rates arbitrarily arranged as a basic factor in establishing perpetual prosperity. It was a great convenience to them to be able to make use of such a theory in a way to enable the Treasury to obtain funds almost without end or limit to do with as the day dreamers — and some others in political circles — wished. Today we again are showing our slavishness to this historically discredited notion that somehow mankind benefits from fiat creation of funds.

Whether or not the Federal Reserve authorities have been greatly influenced by the Treasury or any other part of the Administration in determining their current policy, we make no pretense of knowing. It must be said, of course, that no protest has arisen, and the Treasury has not hesitated to take full advantage of the situation to get its funds at the lowest possible rates, meanwhile conveniently forgetting about that horrible example of a Democratic regime building its debt structure largely in the short-term range. Of course, the Treasury has repeatedly "explained" that it stays in the short-term market because that is where the funds are, but it knows full well, as every one else does, that the funds are in the short-term market for the simple and sole reason that the Federal Reserve has placed them there—whether or not by Treasury persuasion.

And then there is the matter of basic fiscal policy. President Eisenhower up to the point of this writing seems definitely not to be impressed with the idea of a greatly enlarged deficit as a means of stimulating business or of preventing a depression. It is quite obvious, however, that if he is to prevent the adoption by the Republican party of such an idea he has his work cut out for him. And it is not only a deficit of huge proportions that is the current remedy of so many, even among those who roundly condemned New Deal notions on this and related topics, but a deficit created by relieving low income groups of paying several billions in taxes!

"Consumers" Now

These low income groups are now called "consumers" —as if other people, and business for that matter, were not also consumers—and, according to the queer notions of the day, the crying need right now is to stimulate consumption. It is labeled by the sloganeers the "trickle-up" theory—and we sometimes are forced to the suspicion that it is not the "big lie" which most influences mass thinking so much as magnificent nonsense. The point is that this silly notion now being so vigorously advanced by New Dealish politicians as a means of cultivating prosperity is the one which is now so enticing to former critics of the New Deal and all its works.

It would be rash to conclude that the President himself is to be depended upon at all times to stay on the right side of the fence in all these matters. Persistent reports from Washington insist that should the state of business grow worse for another month or two, the White House itself would take the lead, if not in support of this particular tax measure, then in promoting some other plan of the same basic sort. In any event, the President has already expressed ideas which come very nearly placing him in the New Deal category in some directions. Witness his plans for spreading social security and for reckless housing promotion—often put forward as, among other things, a way to give effect to the Employment Act of 1946. Heaven knows what else will be brought forward should a real depression seem to be descending upon us just before a national election.

If all these things and the others like them were harmful when the New Deal and the Fair Deal were practicing them—and they were injurious, whether the fact was immediately evident or not—then they can be counted upon to be harmful rather than helpful now. It is passing strange how deep-seated the notion is that one may be cured by application of the hair of the dog that did the biting.

Securities Salesman's Corner

By JOHN DUTTON

Teamwork

Leadership is an intangible quality, but the more I observe human strivings, whether it be in the fields of business, politics, charitable enterprises, or even warfare, the more evident it becomes that those who have inspirational and proficient leadership, enjoy this position of prominence and success more so than those who do not have it. You have seen this many times; history is replete with examples. As human beings we desire to belong to a group. As a group we cooperate better if we have inspiration and leadership in which we can have confidence. As **individuals** we work better in such an environment.

It is the rare person who can do his best as a lone wolf. Large national sales organizations long ago discovered that it was necessary to bring men in the field into contact with each other and with the home office leadership. Company literature directed to the sales force, field trips by the executives in charge of sales, meetings of regional groups, and national get togethers, have not only paid for themselves in results, but have become standard procedure because without them sales organizations fold up.

For many years there has been a tendency in the retail investment business to hire men with little or no training and throw them out on the streets to sink or swim. Recently a few progressive firms have been hiring their men more carefully and assisting them to become more productive. Yet, by and large, there is a tendency on the part of many investment firms to hire men and leave it to them to build a clientele. This is one of the most serious obstacles that the investment business must overcome if it is to expand and meet the needs of this growing country for adequate public participation in our business and industry. To state that there are approximately 6 million shareholders in American business, as I have seen the figure quoted, is certainly representative of a much too small proportion of our total population. The reason people do not own more of our business enterprises directly as shareholders is that they have **never been sold that it is to their advantage to do so.**

It is one thing to complain that over-regulation of the investment business has caused this lack of success on the part of the securities dealers and brokers of this country, in respect to their efforts to sell more people securities. But after all, if this is the only reason for this unhappy situation it has not been proven to the satisfaction of many of us who have been in the selling departments of the security business for over the past quarter of a century. I am not claiming that government regulation, and iniquitous and unfair tax laws as they affect the investor have not been handicaps, but I believe I can take anyone who doubts it back through a good many contacts with what are supposed to be our leading investment firms that do a retail business, and I can prove the point that we have been, and still are, trying to merchandise securities with "cracker barrel" methods. We put the stuff on the shelf, on the back shelf if you will, we package it and wrap it with a cover that is so filled with uninteresting and unintelligible verbiage that it repels interest rather than attracts it. We hire retired gentlemen who have nothing to do and who are bored with fishing and sitting around the house; we get them a license and we send them out to sell a few of their friends—most of them don't. We devote such a small amount of time to the manpower we are acquiring, and we have such inadequate means of assisting them both financially and educationally, that new blood has not been, and is not now, coming into the securities business. Worse still, most firms have no policy of customer relations, outside of the old saw about being honest and conscientious, which almost anyone and everyone accepts as sound policy in every business today. And on top of all that, there is very little leadership and inspiration in evidence that flows from the top down into the ranks of those who should be receiving a constant stream of encouragement and cooperation day in and day out.

This is quite a blanket indictment but I don't think I have been harsh or unfair. There are men in this business who don't need encouragement, leadership, and the feeling of belonging to a team. They are the ones who have lasted all these years and that is why there are so few successful men among the ranks of the retail salesmen in the investment business. Those who have made good have done it in spite of these handicaps.

Hoerr Inv. Co. Formed

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Geo. P. Hoerr is engaging in a securities business from offices at 980 Sutter Street, under the firm name of The Hoerr Investment Co.

Louis N. Singer

Louis N. Singer, associated with Lazard Freres & Co., New York City, passed away March 15, at the age of 57 after a short illness.

Continued from page 35

Mutual Funds

that not only have people a lengthening life span but that women outlive their mates by four years.

Ben Franklin's philosophy—a penny saved is a penny earned—no longer meets today's needs, the mutual fund counsellor said. "Those pennies saved must be invested so that they must multiply, flowing freely in channels of enterprise.

"Each person's 'investostat' must be personalized. You will set it so that your pattern of investing will be determined by an analysis of your income, living needs, and future goals for security. It will give you a current reading of your financial health. If your spending-for-living is too high, the 'investostat' will tell you so, flashing a danger signal to you," Miss Dillon explained. "An optimum 'investostat' reading varies not only from person to person but changes with environment, age and temperament in the individual.

"Blood pressure, blood count and why not a financial check-up to learn the state of your economic stability in terms of the future. The remedy—neither X-ray nor vitamins—but a new setting of your 'investostat,' based on a mutual fund periodic purchase plan, may safeguard your financial future," prescribed Miss Dillon.

LORD, ABBETT & Co., of New York, announce that the total assets of the two investment companies they manage are in excess of $300,000,000. Affiliated Fund, second largest of the nation's common stock investment companies, accounts for $265,000,000 of this total while American Business Shares, a balanced fund, accounts for the remaining $35,000,000.

In his announcement Harry I. Prankard 2nd, President of the Funds, cities the growing interest in investment companies of larger investors. He states that currently approximately 50% of the companies' sales are represented by orders involving $5,000 or more. He further points out that of the 150,000 shareholders in the two Funds, 3,400 are fiduciaries and institutions—trustees, religious organizations, homes, hospitals, schools, insurance companies, pension and profit sharing trusts, etc.

Growth in the assets of the two investment companies has resulted in substantial reduction in operating expenses per $1,000 of assets, which are now approximately one-half as much as they were 10 years ago, according to Mr. Prankard.

NET ASSET value of Boston Fund —which last month topped the hundred-million mark—increased by $6,435,244 from Jan. 31, 1953, to Jan. 31, 1954, and per share asset value rose from $24.01 to $24.32 in the same period, it was announced this week in the fund's annual report.

The total of dividends paid from investment income was 87 cents per share and in addition a distribution of 35 cents per share from realized capital gains was made during 1953, the report said.

Last year Boston Fund achieved new record highs in both the number of shareholders and shares outstanding—nearly 25,000 shareholders and 4,109,420 shares outstanding as compared to 23,000 shareholders and 3,894,511 shares outstanding for the fiscal year ended Jan. 31, 1953.

Henry T. Vance, President of the fund, noted that during the past 10 years total net assets have increased 749%; the number of shareholders increased 457%; and shares outstanding 477%.

Boston Fund shares, worth approximately $12,000,000, currently are held by some 1,700 fiduciary and institutional investors, the report said.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Mar. 21	§67.8	*69.3	74.6	101.5
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 21	§1,616,000	*1,652,000	1,779,000	2,288,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Mar. 6	6,432,900	6,303,050	6,271,250	6,439,800
Crude runs to stills—daily average (bbls.)	Mar. 6	¶6,951,000	7,123,000	6,879,000	6,963,000
Gasoline output (bbls.)	Mar. 6	23,874,000	24,511,000	24,344,000	23,111,000
Kerosene output (bbls.)	Mar. 6	2,982,000	2,994,000	2,738,000	2,966,000
Distillate fuel oil output (bbls.)	Mar. 6	10,617,000	10,818,000	10,978,000	10,297,000
Residual fuel oil output (bbls.)	Mar. 6	8,195,000	8,928,000	8,549,000	9,035,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Mar. 6	179,203,000	179,170,000	171,972,000	159,434,000
Kerosene (bbls.) at	Mar. 6	19,905,000	19,506,000	21,056,000	19,843,000
Distillate fuel oil (bbls.) at	Mar. 6	68,197,000	69,137,000	78,468,000	65,476,000
Residual fuel oil (bbls.) at	Mar. 6	46,065,000	45,941,000	45,885,000	43,628,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Mar. 6	590,567	595,031	624,385	684,864
Revenue freight received from connections (no. of cars)	Mar. 6	585,261	590,002	611,995	671,132
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Mar. 11	$245,541,000	$208,148,000	$196,885,000	$266,241,000
Private construction	Mar. 11	166,121,000	100,956,000	132,020,000	103,156,000
Public construction	Mar. 11	79,420,000	107,192,000	64,865,000	163,085,000
State and municipal	Mar. 11	69,319,000	89,237,000	48,227,000	137,273,000
Federal	Mar. 11	10,101,000	17,955,000	16,638,000	25,812,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Mar. 6	6,300,000	*6,775,000	7,835,000	8,218,000
Pennsylvania anthracite (tons)	Mar. 6	406,000	530,000	651,000	583,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Mar. 6	85	90	86	96
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Mar. 13	8,519,000	8,586,000	8,684,000	8,138,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Mar. 11	229	223	238	165
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Mar. 9	4.634c	4.634c	4.634c	4.376c
Pig iron (per gross ton)	Mar. 9	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	Mar. 9	$23.50	$23.83	$26.67	$44.08
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Mar. 10	29.700c	29.700c	29.700c	28.600c
Export refinery at	Mar. 10	29.075c	29.200c	29.350c	34.675c
Straits tin (New York) at	Mar. 10	90.000c	86.750c	85.000c	121.500c
Lead (New York) at	Mar. 10	13.000c	12.500c	13.000c	13.500c
Lead (St. Louis) at	Mar. 10	12.800c	12.300c	12.800c	13.300c
Zinc (East St. Louis) at	Mar. 10	9.250c	9.250c	9.500c	11.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Mar. 16	100.09	99.88	98.42	94.85
Average corporate	Mar. 16	110.70	110.34	108.88	107.62
Aaa	Mar. 16	116.02	115.82	114.27	111.07
Aa	Mar. 16	112.75	112.37	111.07	109.79
A	Mar. 16	110.34	110.15	108.70	106.74
Baa	Mar. 16	103.97	103.47	102.30	103.13
Railroad Group	Mar. 16	108.88	108.16	106.92	105.34
Public Utilities Group	Mar. 16	110.70	110.52	109.06	107.27
Industrials Group	Mar. 16	112.19	112.19	110.88	110.34
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Mar. 16	2.49	2.51	2.61	2.87
Average corporate	Mar. 16	3.13	3.15	3.23	3.30
Aaa	Mar. 16	2.85	2.86	2.94	3.11
Aa	Mar. 16	3.02	3.04	3.11	3.18
A	Mar. 16	3.15	3.16	3.24	3.35
Baa	Mar. 16	3.51	3.54	3.61	3.56
Railroad Group	Mar. 16	3.23	3.27	3.34	3.43
Public Utilities Group	Mar. 16	3.13	3.14	3.22	3.32
Industrials Group	Mar. 16	3.05	3.05	3.12	3.15
MOODY'S COMMODITY INDEX	Mar. 16	428.6	427.6	422.7	424.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Mar. 6	304,917	212,753	275,060	369,535
Production (tons)	Mar. 6	223,579	228,528	228,571	251,232
Percentage of activity	Mar. 6	88	88	89	96
Unfilled orders (tons) at end of period	Mar. 6	401,043	320,960	377,082	544,346
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Mar. 12	108.00	107.78	107.05	107.75
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)†—					
Number of shares	Feb. 27	645,030	871,712	1,004,092	869,337
Dollar value	Feb. 27	$29,757,573	$39,583,535	$44,438,780	$38,182,423
Odd-lot purchases by dealers (customers' sales)†—					
Number of shares—Total sales	Feb. 27	656,574	848,192	940,833	738,713
Customers' short sales	Feb. 27	7,441	9,757	10,348	7,325
Customers' other sales	Feb. 27	649,133	838,435	930,485	731,388
Dollar value	Feb. 27	$27,259,465	$35,777,843	$39,698,255	$29,216,202
Round-lot sales by dealers—					
Number of shares—Total sales	Feb. 27	214,450	278,950	296,150	208,110
Short sales	Feb. 27				
Other sales	Feb. 27	214,450	278,950	296,150	208,110
Round-lot purchases by dealers—					
Number of shares	Feb. 27	219,670	297,640	354,870	343,190
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Feb. 20	411,270	439,640	350,460	257,720
Other sales	Feb. 20	8,722,360	9,491,410	9,172,770	6,658,330
Total sales	Feb. 20	9,133,630	9,931,050	9,523,230	6,916,050
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Feb. 20	876,550	924,720	961,350	658,070
Short sales	Feb. 20	194,920	180,620	179,710	129,900
Other sales	Feb. 20	737,790	757,930	816,220	510,560
Total sales	Feb. 20	932,710	938,550	995,930	640,460
Other transactions initiated on the floor—					
Total purchases	Feb. 20	227,820	282,500	305,350	152,460
Short sales	Feb. 20	18,700	23,600	16,500	21,000
Other sales	Feb. 20	233,320	253,410	321,960	136,640
Total sales	Feb. 20	252,020	277,010	338,460	157,640
Other transactions initiated off the floor—					
Total purchases	Feb. 20	342,375	482,368	349,882	225,881
Short sales	Feb. 20	41,390	56,420	38,030	34,020
Other sales	Feb. 20	384,070	367,310	457,065	327,750
Total sales	Feb. 20	425,460	423,730	495,095	361,770
Total round-lot transactions for account of members—					
Total purchases	Feb. 20	1,446,745	1,689,588	1,616,582	1,036,411
Short sales	Feb. 20	255,010	260,640	234,240	184,920
Other sales	Feb. 20	1,355,180	1,378,650	1,595,245	974,950
Total sales	Feb. 20	1,610,190	1,639,290	1,829,485	1,159,870
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Mar. 9	110.6	*110.7	110.5	109.9
Farm products	Mar. 9	99.1	*99.0	98.2	98.4
Processed foods	Mar. 9	104.9	105.2	104.7	105.4
Meats	Mar. 9	91.6	93.2	91.1	95.9
All commodities other than farm and foods	Mar. 9	114.3	114.3	114.4	113.3

*Revised figure. ¶Includes 601,000 barrels of foreign crude runs. §Based on new annual capacity of 124,330,410 tons as of Jan. 1, 1954, as against the Jan. 1, 1953 basis of 117,547,470 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For Month of January:			
Total gas (M therms)	6,556,291	5,614,665	6,054,904
Natural gas sales (M therms)	6,161,548	5,299,683	5,682,632
Manufactured gas sales (M therms)	79,063	67,781	109,140
Mixed gas sales (M therms)	315,680	247,201	263,132
AMERICAN PETROLEUM INSTITUTE—Month of December:			
Total domestic production (barrels of 42 gallons each)	215,137,000	208,846,000	226,449,000
Domestic crude oil output (barrels)	193,378,000	188,315,000	205,645,000
Natural gasoline output (barrels)	21,709,000	20,493,000	20,767,000
Benzol output (barrels)	50,000	38,000	35,000
Crude oil imports (barrels)	18,547,000	19,444,000	18,685,000
Refined products imports (barrels)	16,191,000	14,147,000	17,423,000
Indicated consumption domestic and export (barrels)	277,992,000	243,510,000	277,738,000
Increase all stock (barrels)	28,117,000	1,073,000	15,181,000
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Feb. 27:			
Imports	$237,821,000	$265,768,000	$233,507,000
Exports	150,585,000	157,258,000	114,321,000
Domestic shipments	10,234,000	10,599,000	8,749,000
Domestic warehouse credits	60,471,000	62,257,000	44,205,000
Dollar exchange	44,037,000	44,532,000	57,000,000
Based on goods stored and shipped between foreign countries	41,453,000	45,537,000	31,772,000
Total	$544,601,000	$585,951,000	$489,556,000
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. (U. S. DEPT. OF LABOR)—Month of Dec. (000's omitted):			
All building construction	$600,514	*$672,564	$599,057
New residential	282,437	*323,260	314,138
New nonresidential	241,899	*262,917	211,825
Additions, alterations, etc.	76,178	*86,387	73,094
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of February (000's omitted):			
Total U. S. construction	$766,601	$766,320	$1,023,021
Private construction	459,514	350,325	651,145
Public construction	307,087	415,995	371,876
State and municipal	238,444	334,891	272,710
Federal	68,643	81,104	99,166
COAL OUTPUT (BUREAU OF MINES)—Month of February:			
Bituminous coal and lignite (net tons)	29,430,000	33,640,000	34,398,000
Pennsylvania anthracite (net tons)	2,354,000	2,632,000	2,365,000
COKE (BUREAU OF MINES)—Month of Jan.:			
Production (net tons)	5,812,426	6,093,009	6,763,494
Oven coke (net tons)	5,646,745	5,794,867	6,284,493
Beehive coke (net tons)	165,681	298,142	479,001
Oven coke stock at end of month (net tons)	2,787,141	2,727,020	2,074,702
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of December (000's omitted)	33,039,679	32,051,035	30,675,661
Revenue from ultimate customers—month of December	$589,705,300	$571,527,500	$550,591,500
Number of ultimate customers at Dec. 31	49,899,065	49,795,031	48,459,371
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of December:			
All manufacturing (production workers)	13,122,000	*13,322,000	13,699,000
Durable goods	7,645,000	*7,762,000	8,010,000
Nondurable goods	5,477,000	*5,560,000	5,689,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	106.1	107.7	110.8
Payroll Indexes (1947-49 Average=100)—			
All manufacturing	144.2	145.7	150.9
Estimated number of employees in manufacturing industries—			
All manufacturing	16,495,000	*16,709,000	16,952,000
Durable goods	9,572,000	9,700,000	9,856,000
Nondurable goods	6,923,000	*7,009,000	7,096,000
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of January:			
Automatic gas water heater shipments (units)	167,200	137,800	184,000
Domestic gas range shipments (units)	138,600	132,400	169,200
Gas-fired furnaces (units)	26,900	32,300	31,100
Gas-conversion burners (units)	9,000	9,700	8,400
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of January (1935-39 average=100)	112.8	115.0	121.8
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN.—Month of January:			
Total number of vehicles	549,946	482,920	565,172
Number of passenger cars	453,378	387,844	453,319
Number of motor trucks	96,167	94,652	111,599
Number of motor coaches	401	424	254
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of Dec. (000's omitted):			
Savings and loan associations	$568,926	$564,200	$539,936
Insurance companies	126,079	113,998	125,707
Bank and trust companies	290,925	289,835	305,498
Mutual savings banks	128,307	113,180	111,963
Individuals	225,234	218,978	225,400
Miscellaneous lending institutions	282,855	248,454	244,953
Total	$1,622,326	$1,548,645	$1,553,457
U. S. GOVT. STATUTORY DEBT LIMITATION—As of Feb. 28 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	274,781,539	274,848,511	267,583,710
Guaranteed obligations not owned by the Treasury	77,011	75,097	50,029
Total gross public debt and guaranteed obligations	$274,858,550	$274,923,609	$267,633,740
Deduct—other outstanding public debt obligations not subject to debt limitation	558,701	561,209	610,643
Grand total outstanding	$274,299,848	$274,362,399	$267,023,096
Balance face amount of obligations, issuable under above authority	700,151	637,600	7,976,903
ZINC OXIDE (BUREAU OF MINES)—Month of December:			
Production (short tons)	13,790	14,100	16,325
Shipments (short tons)	12,256	12,465	14,053
Stocks at end of month (short tons)	29,903	28,369	23,668

Continued from page 13

Industrial Relations in The United States

to $43.86 in 1950—slightly more than the average old-age assistance payment. By 1952, recipients of old-age insurance were more numerous than recipients of old-age assistance. Important additional progress for the insurance principle was made last Jan. 7, when President Eisenhower in a message to Congress asked for extension of unemployment insurance to 6.2 million additional workers and old-age and survivors' insurance to 10 million additional persons, proposed higher old-age and survivors' benefits, called attention to the need for substantially more liberal unemployment compensation benefits, and recommended a new formula permitting progressive reduction in Federal grants in aid, including old age assistance, to the States as the need for aid declines.

President Eisenhower's strong endorsement of the insurance principle is significant because this principle seems to have commanded, on the whole, stronger support among the Democrats than among the Republicans. It now appears likely that both parties will prefer the insurance principle to straight relief. Some public assistance will, of course, always be necessary, but the principal way of meeting the needs of retired persons or unemployed persons will apparently be insurance.[3]

[3] The following table compares the operation of old age assistance and old age insurance at selected dates:

	Old-Age Assistance			Old-Age Insurance		
	Number of Recipients (Thousands) December	Average Monthly Payments December	Total Payments (Millions)	Number of Recipients End of Year (Thousands)	Average Monthly Benefit End of Year	Total Benefit Payments (Millions)
1940	2,066	$20.26	$475.0	112.3	$22.60	$21.1
1946	2,196	35.31	822.1	701.7	24.55	230.3
1950	2,786	43.05	1,462.0	1,771.0	43.86	718.5
1952	2,635	48.82	1,468.1	2,643.9	49.25	1,613.4

Source: "Social Security Bulletin," September, 1953, Annual Statistical Supplement, pp. 24, 49, 32, 41.

The fourth basic issue in industrial relations that has been decided in recent years is the essential position of employers and trade unions under the law. This issue was partly decided by the Wagner Act, which imposed important new obligations on employers, but the real decision was made by the Taft-Hartley Act, which imposed important obligations on *both* employers and unions. Undoubtedly, there will sooner or later be important changes in the Taft-Hartley Act because the Act has serious defects. The fundamental philosophy of the Taft-Hartley Act, however, will not be changed — it is too widely and completely accepted by the public and by the majority of both political parties.

The essence of the philosophy of the Taft-Hartley Act is that both unions and employers have obligations toward individual workmen, toward each other, toward other employers and unions, toward neutrals in labor disputes, and toward the public in general, and that the Government should enforce many of these obligations. The employers were outraged at the passage of the Wagner Act, and the unions were outraged at the passage of the Taft-Hartley Act. Even today some employers are trying to wreck the parts of the Taft-Hartley Act which apply to them by urging that original jurisdiction over unfair labor practice cases be transferred from the Labor Relations Board to the courts. For nearly seven years the unions have been trying to convince the public that the law should be directed almost exclusively against employers and virtually not at all against unions. The attempts of some employers to scuttle the law and of unions to replace the present fairly well balanced law with a one-sided law will fail. The American people have always believed that powerful economic organizations should be held accountable for the proper use of their power. Public acceptance of the philosophy of the Taft-Hartley Act simply reflects the awareness of the public that many employers and unions possess great economic power. Even a large proportion of the rank and file of unions (and perhaps even a majority) accept the basic philosophy of the Taft-Hartley Act.

IV

What Industrial Relations Can Be Expected

Within the framework provided by the four basic decisions of the last 20 years, what system of industrial relations should one expect to grow up? These basic decisions supply part of the answer, but not all of it. The success of the unions in organizing nearly all of the workers in manufacturing, transportation, mining, and construction creates the possibility that conditions of employment will be settled mainly by collective bargaining. On the other hand, the great authority over labor matters that the Federal Government has recently acquired as a result of the reinterpretation of the Constitution creates the possibility that conditions of employment and industrial relations will be set by law rather than by collective bargaining.

The present system of industrial relations in the United States is a mixed one with collective bargaining and the law both playing major roles in determining conditions of employment and in imposing rules and obligations and in creating rights and privileges. There has been an enormous development of law in the labor field during recent years, as the Social Security system, the Fair Labor Standards Act, the Taft-Hartley Act, and much State legislation remind us. But the great spread of collective bargaining strikes me as more important than even the development of the law of industrial relations, mainly because collective bargaining has larger and more direct effects on the money costs of employers and the money incomes of most employees than do the new laws.

I expect to see our system of industrial relations continue to be a mixed system, but with collective bargaining on the whole a more important molder of conditions than laws. Settling matters by private agreement is more in harmony with the tradition of the country than settling them by law. Hence, both employers and trade unions have strong inclination to prefer bargaining to appeals to legislatures. Bargaining has an especial appeal to unions because most unions have greater bargaining power than political power. This statement may not be true of a few unions, such as the railroad unions, but is true of most unions. Furthermore, the great success of industry in raising output per man-hour gives unions a great deal to bargain over. The rise of productivity will undoubtedly be greater in the future than in the past. In the last seven years the United States has spent more money on industrial research than in all of the years prior to 1947. Most of these huge recent outlays on industrial research have not had much time to affect the productivity of industry. As they do, unions will be led to make stiffer demands, and collective bargaining will gain in importance.

The growth of unions and bargaining will produce some development of the law, as it already has done. In particular, such matters as the obligations of unions and employers toward rival unions and rival employers and toward neutrals will grow in importance. Furthermore, some of the results of collective bargaining, such as the establishment of immense welfare funds, create a need for new developments in public policy. The welfare funds are the equivalent of insurance companies, and they are readily subject to abuse. These funds need careful supervision and the obligations of the administrators need to be made clear.

In the main, however, industrial relations in the United States will be characterized by the great importance of collective bargaining as the instrument for making decisions. Rapid technological progress in the United States and the strength of the American economy in foreign trade permit us to allow employers and unions far greater freedom to make bargains than most other countries dare to give them. I know of no other country, except possibly Canada, in which it would be safe for the community to allow collective bargaining to operate with so little restraint from public policy as we are doing and shall continue to do.

V

Unsettled Issues

Let us examine briefly a few of the important unsettled issues in American industrial relations. I shall discuss issues in the field of collective bargaining and issues arising out of the regulation of the rights and obligations of unions and employers. Since my time is limited, I omit discussion of important unsettled issues in the field of social security.

What will collective bargaining do to industry? Will it be particularly hard on small and medium-sized companies which cannot use industrial research on a large scale to increase output and to keep down labor costs? Will trade unions seriously interfere with the conduct of operations of management, and prevent managers from using the discretion through which managers exercise their skill as administrators? Will trade unions introduce some form of the so-called annual wage over a large part of industry and, if so, will the effect on the economy be good or bad? Will the upward pressure of trade unions on wages bring about a long-run increase in labor costs and thus a long-run rise in the price level? If unions do push up labor costs and prices, what will be the effect upon the economy? Let us look briefly at these questions.

Will collective bargaining be particularly hard on small and medium-sized companies which cannot use industrial research to keep down labor costs? There is danger that such companies will be caught in a squeeze between rising costs and more slowly rising prices. Trade unions naturally attempt to spread to other companies the wage increases which they win from those employers who, for one reason or another, are willing to give the largest increases. But the problems of small and medium-sized companies may not be as serious as one might expect. One reason is that many of these companies are not in direct competition with large companies. They serve parts of the market where smallness has important advantages. Another reason is that unions have been accustomed to make some distinction between large companies and small ones on the basis of ability to pay and have not invariably imposed the same settlements on small companies that they have won from industrial giants. Some small and medium-sized companies may gain help in controlling costs from systematic collaboration between management and unions. Many unions have been willing to help management promote efficiency, especially when the unions realize that the jobs of their members are at stake.

It would be tragic, however, if small companies were to take a defeatist attitude toward the possibility of their developing research and using the benefits of research. American industry is entering upon a research age—an age in which research will be done on a far larger scale than ever before and will be more pervasive than ever before. Small companies must adapt themselves to the research age by learning to do research themselves or how to get research done for them by outsiders.

Will trade unions seriously interfere with the conduct of plant operations by encroaching unduly upon managerial discretion? The answer to this question depends largely upon whether management exercises discretion fairly and upon how much importance managements attach to preserving the right to exercise considerable discretion. It is important that management retain reasonable discretion in introducing new methods of work and in re-assigning the work force. It is also important that a fair compromise be followed in making promotions between the claims of long service and the claims of superior ability and workmanship. If managements act with foresight and fairness, their decisions will not ordinarily raise serious issues and will not provoke demands that the discretion of management be curbed. Nevertheless, even the best managements need at times to defend their right to exercise discretion. If managements take a short-run point of view and accept restrictions on their discretion in order to avoid trouble, managements will eventually find their ability to manage seriously impaired. The reward of conscientious, accurate, and painstaking performance is important not merely to the employer, but to the workman himself and the community. It is not good for men to work under conditions where poor and slovenly work is tolerated. And because doing one's best is important to the character of the individual, it is important to the community that men have a chance to work under conditions where good work gets its reward.

Will trade unions introduce some form of the so-called annual wage over a large part of industry and, if so, will the effects on the economy be good or bad? Unless the terms of state unemployment acts are substantially liberalized in the next year or two, I believe that unions will press hard for arrangements under which employers agree to supplement unemployment benefits. These arrangements have been given the misleading term of "guaranteed annual wage." I prefer to call them "supplementary unemployment compensation." I believe that the kind of supplementary unemployment compensation plans which have been proposed by the Steel Workers and the United Automobile Workers would be good for the economy. They would not be as desirable as liberalizing state unemployment compensation acts, but they would be stabilizing. They would not impair the credit of employers because the liabilities of employers would be limited and would be met in the main from reserves accumulated during good times. The supplementary unemployment benefits would cushion somewhat the drop in employee income during recessions and thus help mitigate the severity of contractions.

Will the upward pressure of trade unions on wages bring about a long-run increase in labor costs and thus a long-run rise in the price level? The coming research age in American industry will be a period of strong prosperity. Investment opportunities will be abundant, and individuals will be encouraged by the new and improved kinds of goods to spend a high proportion of their incomes for consumption. Such a state of affairs means that the bargaining position of trade unions will be strong. Employers will be reluctant to endure the long stoppages of production that would be necessary in order to prevent wage increases from raising labor costs. If employers feel a strong demand on the part of the public that they prevent a rise in labor costs and prices, they may succeed in holding costs more or less stable. I suspect, however, that the public will not be greatly concerned about labor costs or prices just so long as the annual rise in prices is only 1 or 2%.

If the research age that we are entering and strong trade unions produce a slowly rising price level, the community will have to make some adjustments. One important adjustment will be the modification of pension schemes so that pensions are automatically adjusted for rises in the consumer price index. Modifications of pension plans to preserve the purchasing power of pensions are beginning to be made.

VI

What are the principal unsettled issues in the field of public policy and law? There are scores of important unsettled issues in this field, but seven of them seem to me to stand out in importance: (1) state-Federal relations; (2) the problem of organizational picketing and boycotts; (3) the problem of the closed shop; (4) problems of union rivalry; (5) protection of neutrals in industrial disputes; (6) supervision of union welfare funds; and (7) arrangements for dealing with emergency disputes.

(1) **The Problem of State-Federal Relations.** The Taft-Hartley Act has been interpreted to give the Federal government exclusive jurisdiction over most matters covered by the Act provided interstate or foreign commerce is affected. The National Labor Relations Board, however, has seen fit to decline to take cases of some small enterprises whose operations have little effect upon interstate commerce. Since the states are not permitted to exercise authority in these cases, there has grown up a sort of No-Man's Land in which both employers and employees lack the protection of the law. Furthermore, the Taft-Hartley Act, as interpreted by the courts, severely curtails the authority of the states to deal with disputes which create local emergencies.

The respective authorities of the state and Federal governments need to be clearly defined. The line of demarcation should not be expressed in terms of the size of the enterprise or even in terms of the proportion of sales or purchases that are interstate. The line of distinction should be worked out principally in terms of interstate competition. An industry, such as the women's garment industry, is engaged in interstate competition. Hence, all the plants in this industry, no matter how small, should be subject to the Taft-Hartley Act. But an automobile retailer who gets all

of his cars from Detroit is not engaged in interstate competition and should be subject to state laws, not the Taft-Hartley Act. In other words, retailing and the service industries, even though they buy their goods through interstate commerce, are not engaged to an appreciable extent in interstate competition. Hence, jurisdiction over these industries properly belongs to the states.

In general, the jurisdiction of the Federal government and state governments should be supreme within their respective jurisdictions except for the right of the state governments to maintain law and order. I agree with Senator Taft, in his testimony before the Senate Labor Committee last year, that so-called "concurrent" jurisdictions would create confusion by producing two sets of precedents for similar cases.

With respect to the industries to which the Taft-Hartley Act applies, its authority should be exclusive. There is no sense in subjecting employers who compete with one another to differing state laws. The states should be left free to experiment with arrangements for dealing with disputes which cause local emergencies, such as stoppages in the gas industry or electric light and power industry. Stoppages in these industries do not create national emergencies. Hence, each state should be free to deal with the problem in its own way.

(2) **The Problem of Organizational Picketing and Boycotts.** The Taft-Hartley Act does not give effective protection against efforts to force employees into unions that they do not wish to join. Thus, the philosophy of the Act, that men are entitled to be represented by bargaining agents of their own choosing is often defeated. The principal offender seems to be the powerful Teamsters' Union. The problem might be met in part by a broader interpretation of the kind of picketing that is regarded as coercive, but a more adequate remedy is needed. A fair solution would be to prohibit organizational picketing and boycotts after a rival union, the employer, or a substantial part of the employees involved has petitioned the National Labor Relations Board to settle the issue of representation by an election. In these days of powerful unions and strong union rivalries, a vigorous affirmative policy on the part of the government is necessary in order to protect the right of employees to choose their own bargaining agents. This means a more vigorous policy than the government has pursued up to now. Unfortunately, Congress has handicapped the Board in dealing with this problem by prohibiting pre-hearing elections.

(3) **The Problem of the Closed Shop.** The Taft-Hartley Act, as everyone knows, permits the union shop under certain conditions, but forbids the closed shop. The union shop provisions have worked out well in many industries, but there are wide areas in which the closed shop serves a useful purpose to workers and employers alike. As a result, prohibitions against the closed shop in the Taft-Hartley Act are being widely violated. Thus, we have the closed shop without proper safeguards. In industries where employment is intermittent or highly seasonal, such as the building trades, entertainment, stevedoring, the closed shop should be permitted with proper safeguards. It already exists there, and it will continue to exist.

(4) **The Problem of Union Rivalry.** The growth of unions has intensified problems of union rivalry. The protection of the right to organize encourages unions to attempt to expand their membership. If one union does not act quickly, it will be too late because another union will have organized the group of workers. In the old days, the right of employers to use drastic measures to stamp out unions was a great curb on rivalry.

Union rivalry has been intensified by the rapid growth of industrial unions which include among their members many skilled craftsmen. The craftsmen have learned that the industrial unions frequently do not give them very adequate representation. Many industrial unions have bargained for cents-per-hour wage increases rather than percentage wage increases. Thus, the differential between the semi-skilled workers and skilled craftsmen has been substantially reduced. Now the craftsmen are reacting to the failure of the industrial unions to give them proper representation by endeavoring to sever themselves from industrial unions. Mr. Joseph Krislov of Western Reserve University, who has made an extensive study of union raiding, reports that raids by the craft unions against industrial unions have been successful in about two-thirds of the contests.[4]

The A. F. of L. and the C. I. O. have attempted to deal with some aspects of the problem of union rivalry by fostering no-raiding agreements within the federations and also between the federations. The no-raiding agreement within the C. I. O. seems to have been successful, but the outlook for effective no-raiding agreements within the A. F. of L. or between the A. F. of L. and the C. I. O. is far from bright.

No-raiding agreements have much to be said for them, but if they fail to give disaffected locals a reasonable opportunity to shift their allegiance from one union to another, the no-raiding agreements can be quite oppressive. At any rate, in view of the strong tradition of autonomy in the American trade union movement, and the consequent weak influence of the federations, the problem of inter-union rivalry must be handled in large measure by the government. I am not suggesting that union rivalries are bad per se, but I am suggesting that workers are entitled to be represented by bargaining agents of their own choosing. Deciding what is an appropriate bargaining unit is extraordinarily difficult and involves carefully weighing many considerations which vary from case to case. After the matter of the bargaining unit has been decided, the workers in that unit are entitled to select the union which they wish to represent them. The decision should not depend on blueprints of organizational territory worked out years ago by the A. F. of L., the C. I. O., or the A. F. of L. and the C. I. O. together.

(5) **The Protection of Neutrals in Labor Disputes.** The law in most states has in theory, given a good deal of protection to neutrals, but in practice the neutrals did not have much protection, until the Taft-Hartley Act gave it to them. The reason has been that proper administrative machinery to protect the rights of neutrals has been lacking. The protection given by the Taft-Hartley Act to neutrals contains serious loopholes. The act prohibits (with some qualifications) encouraging the employees of one employer (a neutral) to refuse to handle the work of a second employer with whom the union has a dispute, but it does not prohibit inducing the neutral employer himself not to handle the products of the second employer. But the "inducements" for the neutral employer to help the union win its fight with the second employer may be quite coercive. Hence, the law fails effectively to protect neutrals from being conscripted in labor disputes.

I disagree with President Eisenhower's recommendation that the application for injunctions against secondary boycotts be made a matter of the discretion of the general counsel of the Labor Relations Board. The provision that injunctions must be sought when the law is being violated or is about to be violated protects the staff of the Board against political pressures that would weaken the enforcement of the law. Furthermore, knowledge of unions that an injunction must be sought against secondary boycotts helps the staff settle many cases. The court, of course, does not have to agree with the general counsel that an injunction should be issued. During the fiscal year of 1952-53, the general counsel sought 44 injunctions under the mandatory provisions of the Act. In 18 cases the application was granted; in 2 cases it was denied; in 3 cases it was withdrawn; in 4 cases the application was inactive; in 2 cases decision was pending; and in 15 cases the issue was settled. Had injunctions not been requested, would the proportion of settlements have been so high?

(6) **Supervision of Union Welfare funds.** During the last few years, thousands of union-employer welfare funds have been established by collective bargaining. The Taft-Hartley Act prohibits an employer from making payments to a union to assist in financing a union welfare fund unless the employer participates in the administration of the fund. The purpose of this provision was to prevent abuses in the administration of the fund. Many employers have taken the view that the funds were none of their business and their participation has only been nominal. At any rate, employer participation in the administration of welfare funds has failed to prevent abuses. For example, newly formed insurance agencies have been started by corrupt union officials and racketeers to siphon money from the union welfare funds. There is no need for unnecessary middle-men who receive big commissions plus alleged "expenses" for placing the underwriting business created by the funds. If legitimate companies doing the actual insuring of the accounts handle the business, the beneficiaries would be saved millions of dollars.

Union welfare funds should be regulated just as carefully as are life insurance companies. This means complete disclosure of income and expenses and periodic public audits. The administrators of the funds need to be held to the responsibility of trustees. It would be wasteful to leave regulation to the forty-eight states. Regulation should be promptly provided by the Federal government, and, as is the case with insurance companies, the cost of regulation should be assessed against the funds. Incidentally, unwillingness of employers to participate actively in the administration of welfare funds reveals a narrow conception of personnel policy. Employers should welcome opportunities to show an interest in the problems of their people.

(7) **The Problem of Stoppages That Create National Emergencies.** The provisions of the Taft-Hartley Act that are designed to apply to disputes that create national emergencies are not well designed and need a complete overhauling.[5] This should be done only after careful study. In revising the Social Security Act, which involved many technical problems, the Finance Committee of the Senate has twice used the devise of an Advisory Council—a council of persons with diverse backgrounds who studied the problem and made recommendations to the committee. Most of the recommendations of each of the two Advisory Councils were adopted by Congress. The device of the advisory council might well be used by Congress in revising the Taft-Hartley Act, particularly the provisions dealing with disputes that create national emergencies. Both of the advisory councils appointed to study social security problems contained representatives of employers, the A. F. of L., and the C. I. O. In view of the definite official stand which employer organizations and the two federations of labor have taken on various Taft-Hartley issues, I am not in favor of a tripartite advisory council. The employer and the labor members would be of little use because they would not be free to use their best judgment. It would be possible, however, to get a good advisory council from the many able citizens who in recent years have acquired experience in handling labor disputes as mediators and arbitrators. Indeed, in few fields is the country richer in able and experienced men. I am aware that there is no set of arrangements that would be a complete solution of the problem of disputes that create emergencies.

4 "Labor Law Journal," February, 1954, p. 85. In the so-called "Globe elections" Krislov found that the craft unions had been successful against industrial unions in over three-fourths of the cases. The so-called "Globe election cases" stem from the decision of the National Labor Relations Board in the Globe Machine and Stamping Company case in 1937. In this case the Board stated that if an industrial union claims a plant-wide unit and a craft union seeks a craft unit, the Board will permit the employees in the craft group to vote separately. In the separate election, the craft employees may vote either for the craft union or the industrial union. In over three out of four cases they have voted the craft union.

5 I have discussed these provisions in some detail in "Revision of the Taft-Hartley Act," "Quarterly Journal of Economics," May, 1933, pp. 169-170.

Railroad Securities

Western Pacific

It has long been expected that once Western Pacific won its suit with the old holding company as to which was entitled to the benefits from certain tax credits taken years ago, and thus was able to release some $10 million held in escrow, steps would be taken to eliminate the $5 participating preferred. The plan has now been announced. A portion of the preferred issue is to be replaced by a new income bond issue and the balance is to be paid off in cash, subject, of course, to ICC approval. This follows along the lines of the earlier proposal, now being considered by the Commission, formulated by Chicago & Eastern Illinois to substitute income bonds for its preferred. The results will be followed with great interest by the railroad industry generally and by security analysts. Substitution of bonds for preferred stocks has a distinct advantage taxwise and if the ICC is willing to go along with such plans it is believed that quite a few other roads will be quick to join the parade.

Western Pacific stands to realize a two-fold gain if its plan is approved and successfully consummated—it may be taken for granted that if the plan is approved the terms will be accepted by the preferred holders. Not only will there be the usual tax benefits (income bond interest is deductible before taxes while preferred dividends are not) but, also, the company will eliminate the onerous participating provision of the preferred. This preferred participates equally, share for share, in any dividend in excess of $3 paid on the common in any year. Presumably largely because of this provision the road has never since consummation of its reorganization paid more than $3 on the common although in many years earnings would have warranted more liberal action.

There are at present 308,211 shares of the preferred outstanding. The proposed exchange offer will be limited to 225,000 shares, with the remaining 83,211 shares to be called for redemption at par plus accrued dividends. The exchange will be $100 par value of 5% income bonds, one-fifth of a share of common, and some modest payment in cash for each share of preferred. It is the opinion of most railroad analysts that the package value of this offer will work out significantly higher than the $100 call price of the preferred stock.

Success of the plan should materially improve the earning power of, and prospects for, the common stock. Interest charges of $1,225,000 will be substituted for $1,541,055 of preferred dividends now accruing annually. The smaller amount of senior obligations to be outstanding, and the saving in Federal income taxes, would mean an increase of $953,054 in earnings available for the common stock. There are at present 528,899 shares of common outstanding and under the plan this would be increased to 573,899 shares of common outstanding and under the plan this would be increased to 573,899 shares. Earnings on the common last year amounted to $8.46 a share, after allowing for the participating provision of the preferred. With the participating feature eliminated and the reduction in charges contemplated in the plan, earnings last year would have amounted to $12.47 a share on the larger amount of common to be outstanding.

Enthusiasm for Western Pacific does not center entirely around the proposed plan. The status of, and prospects for, the road as such are considered highly favorable. Western Pacific is a consistently efficient property with unusually low cost ratios. Last year, for instance, it had a transportation ratio of 28.1% and a profit margin of 24.8%. Similar ratios for the class I carriers as a whole were 36.3% and 15.4%, respectively. Also, the road has had one of the best revenue trend records in the country, and the territorial growth largely responsible for this trend is continuing. Thus, the long term earnings propects are considered bright.

Reynolds Uranium Stk. Offered at $10 a Share

Luckhurst & Company, Inc., New York, are offering publicly 30,000 shares of Reynolds Uranium Corp. common stock (par $1) at $10 per share as a speculation.

Reynolds Uranium Corp. is the assignee of an agreement and mining lease covering a group of lode mining claims and mill sites comprising the Jo Reynolds Mine. This compact group of mines is located about one mile from Lawson, Clear Creek County, Colo.

Of the net proceeds, it is intended to pay $10,000 to Clear Creek Mines, Inc., lessor, not later than May 6, 1954; $10,000 will be used to repay a loan; and the balance will be used for rehabilitation, exploration and/or development of the company's claims.

Following issuance and sale of the new stock, there will be outstanding 75,000 shares. Douglas J. Luckhurst, President and a director of Luckhurst & Company, Inc., is President of Reynolds Uranium Corp.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Alaska Telephone Corp., Seattle, Wash.
Feb. 10 (letter of notification) $270,000 face amount of **6%** 10-year convertible debentures, series B. **Price—70%** of principal amount. **Proceeds**—For general operating expenses and working capital. **Underwriter**—Tellier & Co., New York. **Offering** — Not expected until the middle of April.

● **Allied Artists Pictures Corp. (3/30-31)**
March 8 filed 150,000 shares of 5½% cumulative convertible preferred stock. **Price**—At par ($10 per share). **Proceeds**—To be used in the production, distribution and exploitation of motion pictures and for working capital. **Underwriter** — Emanuel, Deetjen & Co., New York. Meeting—Stockholders will vote March 23 on authorizing the new issue.

● **American-Marietta Co., Chicago, Ill. (3/22)**
March 6 (letter of notification) 8,040 shares of common **stock** (par $2). **Price**—At market (but not to exceed $25 per share). **Office**—101 East Ontario Street, Chicago, **Ill. Underwriter**—The Ohio Company, Columbus, Ohio.

American Tidelands, Inc. (3/23)
March 3 filed 2,000,000 shares of common stock (par 10 **cents**). **Price**—$1 per share. **Proceeds**—For construction **work** and purchase of drilling machinery and equipment from Alexander Shipyard, Inc.; for operating expenses; and payment of indebtedness. **Office**—New Orleans, La. **Underwriters**—Crerie & Co., Houston, Texas; and Gearhart & Otis, Inc. and Barrett Herrick & Co., **both of** New York.

● **Atlas Uranium Corp. (3/22)**
March 5 (letter of notification) 1,500,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds—For** mining expenses. **Office** — Judge Building, Salt Lake City, Utah. **Underwriter**—Coombs & Co., Salt Lake City, Utah.

Basin Natural Gas Corp., Santa Fe, N. M.
Dec. 23 (letter of notification) 748,000 shares of common **stock** (par five cents). **Price**—40 cents per share. **Proceeds**—To acquire properties and leases. **Office** — Blatt **Bldg.**, Santa Fe, N. M. **Underwriter**—Hunter Securities **Corp.**, New York.

★ **Bensen Aircraft Corp., Raleigh, N. C.**
March 8 (letter of notification) 86,214 shares of class A common stock (par $1) and 172,259 shares of class B common stock (par $1) to be offered in units of one share of class A stock and two shares of class B (with a minimum purchase of 16 units). **Price** — $3 per unit. **Proceeds**—For equipment, model certification and working capital. **Underwriter**—None.

Bolsa Chica Oil Corp.
Feb. 16 (letter of notification) 77,624 shares of capital stock (par $1) to be offered for subscription by stockholders of record on or about March 4. **Price** — $3.75 **per share. Proceeds**—For working capital and general corporate purposes. **Office**—727 West Seventh Street, **Los** Angeles, Calif. **Underwriter**—None.

Cahokia Downs, Inc., East St. Louis, Ill.
Feb. 15 filed $1,400,000 of 10-year 6% first mortgage **bonds** due Jan. 1, 1964, and 140,000 shares of common **stock** (par $1). **Price**—Of bonds, at 100% of principal **amount**; and of stock, $1.50 per share. **Proceeds**—For construction and operation of racing plant. **Underwriter**—Dixon Bretscher Noonan Inc., Springfield, Ill.

★ **Carr-Consolidated Biscuit Co.**
March 15 (letter of notification) 40,000 shares of common stock (par $1). **Price** — At market (estimated at around par). **Proceeds** — To three selling stockholders. **Underwriter**—Auchincloss, Parker & Redpath, **New** York.

Central Louisiana Electric Co., Inc.
March 8 (letter of notification) 12,729 shares of common stock (par $5). **Price**—$22 per share. **Proceeds**—For expansion. **Office**—528 Monroe St., Alexandria, La. **Underwriter**—None, stock to be sold by employees.

★ **Chemical Fund, Inc., New York**
March 11 filed 500,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

Cities Service Co.
March 9 filed $4,431,250 participations in the Employees Thrift Plan of this company and participating subsidiary companies, and 50,000 shares of common stock (par $10) to be purchasable under the plan.

Clorox Chemical Co., Oakland, Calif.
March 2 (letter of notification) 6,500 shares of capital stock (par $3.33⅓ per share). **Price**—To be supplied by amendment. **Proceeds**—To Estate of Annie I. Murray, the selling stockholder. **Underwriter**—J. Barth & Co., San Francisco, Calif.

★ **Coleman Engineering Co., Inc., Los Angeles, Cal.**
March 8 (letter of notification) 7,700 shares of class A common stock (par $1). **Price**—$5.62½ per share. **Proceeds**—For working capital. **Underwriter**—Wilson, Johnson & Higgins, San Francisco, Calif.

Community Public Service Co. (4/6)
March 1 filed $3,000,000 of first mortgage bonds, series D, due March 1, 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Blyth & Co., Inc. **Bids**—To be received up to 11 a.m. (EST on April 6 at 90 Broad Street, New York, N. Y.

★ **Composite Bond & Stock Fund, Inc., Spokane, Wash.**
March 11 filed 200,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

● **Dakamont Exploration Corp., New York City**
March 3 (letter of notification) 85,000 shares of common stock (par $1) to be offered first to stockholders. **Price**—$3.50 per share. **Proceeds**—To repay bank loans and for expenses incident to oil and gas exploration and development. **Office**—One William Street, New York. **Underwriters**—Lehman Brothers, New York.

Dallas Power & Light Co. (3/24)
Feb. 25 filed 70,000 shares of cumulative preferred stock (no par). **Proceeds**—For new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Union Securities Corp.; The First Boston Corp.; White, Weld & Co.; Lehman Brothers; Blyth & Co., Inc.; Harriman Ripley & Co. Inc. and Kidder, Peabody & Co. (jointly). **Bids**—To be received up to 11 a.m. (EST) on March 24 at Two Rector Street, New York, N. Y.

★ **Delaware Fund, Inc., Camden, N. J.**
March 11 filed 250,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

★ **Delmar Mining & Milling Co., Spokane, Wash.**
March 10 (letter of notification) 500,000 shares of common stock. **Price** — 15 cents per share. **Proceeds** — For mining expenses. **Office**—711 Hutton Building, Spokane, Wash. **Underwriter**—Harry Otto Klaus, Spokane, Wash.

NEW ISSUE CALENDAR

March 19 (Friday)
Pennsylvania Gas Co. .... **Common**
(Offering to minority stockholders) 17,526 shares
Pioneer Finance Co. .... **Common**
(Watling, Lerchen & Co. and Mullaney, Wells & Co.) $270,320

March 22 (Monday)
American-Marietta Co. .... **Common**
(The Ohio Company) $201,000
Atlas Uranium Corp. .... **Common**
(Coombs & Co.) $150,000
National Union Fire Insurance Co. .... **Common**
(Offering to stockholders—underwritten by The First Boston Corp.) $6,000,000
Spa-King Mount Clemens Water Products Corp. .... **Common**
(Teden & Co., Inc.) $299,000

March 23 (Tuesday)
American Tidelands, Inc. .... **Common**
(Crerie & Co.; Gearhart & Otis, Inc.; and Barrett Herrick & Co.) $2,000,000
Detroit Edison Co. .... **Bonds**
(Bids 11 a.m. EST) $40,000,000
Louisiana Power & Light Co. .... **Preferred**
(Bids noon EST) $7,000,000
Merchants Acceptance Corp. .... **Debentures**
(G. H. Walker & Co.) $1,300,000
Utah Power & Light Co. .... **Common**
(Bids 11 a.m. EST) 200,000 shares

March 24 (Wednesday)
Colorado Fuel & Iron Corp. .... **Preferred**
(Allen & Co.) $5,000,000
Dallas Power & Light Co. .... **Preferred**
(Bids 11 a.m. EST) $7,000,000
General Telephone Co. of the Southwest **Preferred**
(Mitchum, Tully & Co., adviser to company) $1,500,000
Laclede Gas Co. .... **Debentures**
(Bids 11 a.m. EST) $10,000,000
Magnolia Park, Inc. .... **Debentures & Common**
(Gearhart & Otis, Inc.; Hunter Securities Corp.; and T. J. Feibleman & Co.) $2,750,000
Mallinckrodt Chemical Works .... **Common**
(Newhard, Cook & Co.) 75,000 shares
Texas Eastern Transmission Corp. .... **Debentures**
(Dillon, Read & Co. Inc.) $17,000,000
Texas & Pacific Ry. .... **Equip. Trust Ctfs.**
(Bids noon EST) $1,240,000

March 25 (Thursday)
Central RR. of New Jersey .... **Equip. Trust Ctfs.**
(Bids to be invited) $1,980,000
Illinois Central RR. .... **Equip. Trust Ctfs.**
(Bids noon EST) $6,300,000
Rochester Gas & Electric Corp. .... **Preferred**
(The First Boston Corp.) $5,000,000
Signature Loan Co., Inc. .... **Preferred**
(Simon, Strauss & Himme; William N. Pope, Inc.; and Chace, Whiteside, West & Winslow, Inc.) $648,076
Signature Loan Co., Inc. .... **Preferred & Common**
(Simon, Strauss & Himme; William N. Pope, Inc.; Chace, Whiteside, West & Winslow, Inc.; A. M. Kidder & Co.; Draper, Sears & Co. and Chilson, Newbery & Co.) $456,599
Southern Indiana Gas & Electric Co. .... **Common**
(Offering to stockholders—underwritten by Smith, Barney & Co.) 114,168 shares

March 26 (Friday)
Mountain States Telephone & Telegraph Co. .... **Common**
(Offering to stockholders—no underwriting) 487,248 shares

March 29 (Monday)
Pacific Power & Light Co. .... **Common**
(Bids noon EST) $8,000,000

March 30 (Tuesday)
Allied Artists Pictures Corp. .... **Preferred**
(Emanuel, Deetjen & Co.) $1,500,000
San Diego Gas & Electric Co. .... **Bonds**
(Bids 8:30 a.m. PST) $17,000,000
Tennessee Gas Transmission Co. .... **Preferred**
(Stone & Webster Securities Corp. and White, Weld & Co.) $10,000,000
Winn & Lovett Grocery Co. .... **Debentures**
(Merrill Lynch, Pierce, Fenner & Beane) $10,000,000

April 1 (Thursday)
Light Metals Refining Corp. .... **Common**
(Philip Gordon & Co., Inc.) $5,000,000

April 5 (Monday)
Market Basket .... **Common**
(Offering to stockholders—underwritten by Bateman, Eichler & Co.; The First California Co., Inc., and William R. Staats & Co.) 28,830 shares
North American Uranium & Oil Corp. .... **Common**
(Israel & Co.) $1,500,000
Pannsylvania Power & Light Co. .... **Common**
Offering to stockholders—may be underwritten by Drexel & Co. and The First Boston Corp.) 704,917 shares

April 6 (Tuesday)
Community Public Service Co. .... **Bonds**
(Bids 11 a.m. EST) $3,000,000
Georgia Power Co. .... **Bonds**
(Bids 11 a.m. EST) $11,000,000
Standard Uranium Corp. .... **Common**
(Gearhart & Otis, Inc. and Crerie & Co.) $1,787,500

April 12 (Monday)
Central Power & Light Co. .... **Bonds**
(Bids to be invited) $18,000,000
Gulf Insurance Co. .... **Common**
(Offering to stockholders—no underwriting) 5,000 shares
National Fuel Gas Co. .... **Debentures**
(Bids 11 a.m. EST) $15,000,000

(April 13 (Tuesday)
Southern Indiana Gas & Electric Co. .... **Bonds**
(Bids 11 a.m. EST) $8,000,000
Texas Utilities Co. .... **Common**
(Bids 11 a.m. EST) 250,000 shares

April 14 (Wednesday)
Northern States Power Co. .... **Common**
(Offering to stockholders—bids to be invited) 1,219,856 shares
Ohio Power Co. .... **Bonds**
(Bids 11 a.m. EST) $20,000,000
Ohio Power Co. .... **Preferred**
(Bids 11 a.m. (EST) $5,000,000
York Corp. .... **Debentures & Common**
(The First Boston Corp. and Kidder, Peabody & Co.)

April 20 (Tuesday)
Arkansas Power & Light Co. .... **Preferred**
(Bids 11 a.m. EST) $7,000,000
Northern States Power Co. .... **Preferred**
(Bids to be invited) $15,000,000
West Penn Power Co. .... **Bonds**
(Bids to be invited) $12,000,000

April 21 (Wednesday)
Columbia Gas System, Inc. .... **Debentures**
(Bids to be invited) $50,000,000

May 4 (Tuesday)
New Jersey Bell Telephone Co. .... **Bonds**
(Bids to be invited) $25,000,000

May 5 (Wednesday)
Montana Power Co. .... **Debentures**
(Bids to be invited) $18,000,000

May 14 (Friday)
First Nat'l Bank of Toms River, N. J. .... **Common**
(Offering to stockholders) $150,000

May 17 (Monday)
General Public Utilities Corp. .... **Common**
(Offering to stockholders—Merrill Lynch, Pierce, Fenner & Beane may act as clearing agent) about 600,000 shares

May 19 (Wednesday)
Utah Power & Light Co. .... **Bonds**
(Bids noon EDT) $15,000,000

May 25 (Tuesday)
Consolidated Natural Gas Co. .... **Debentures**
(Bids 11:30 a.m. EDT) $25,000,000

Detroit Edison Co. (3/23)
Feb. 24 filed $40,000,000 of general and refunding mortgage bonds, series N, due March 15, 1984. **Proceeds**—To redeem 3⅞% series M bonds due May 1, 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Coffin & Burr, Inc. and Spencer, Trask & Co. **Bids**—To be received up to 11 a.m. (EST) on March 23 at 60 Broadway, New York 4, N. Y.

★ Devon-Leduc Oils Ltd., Winnipeg, Canada
March 10 filed $2,000,000 10-year 5% convertible sinking fund leasehold mortgage bonds due May 1, 1964. **Price**—100% of principal amount. **Proceeds**—To redeem outstanding bonds, repay bank loan and for general corporate purposes, including drilling commitments in the Stony Plain India Reserve and in participation of the development of the Buck Lake Area. **Underwriter**—McLaughlin, Reuss & Co., New York.

Douglas Oil Co. of California
Feb. 23 filed 50,000 shares of cumulative convertible preferred stock. **Price** —At par ($25 per share). **Proceeds**—To repay bank loans and for expansion and working capital. **Underwriter**—Shearson, Hammill & Co., Los Angeles and New York. **Offering**—Expected today (March 18).

Douglas Oil Co. of California
Feb. 23 filed 15,000 shares of common stock (par $1). **Price**—To be related to the then current market price on the American Stock Exchange. **Proceeds**—To Woodrow G. Krieger, President. **Underwriter** — Shearson, Hammill & Co., Los Angeles and New York. **Offering**—Expected today (March 18).

Duggan's Distillers Products Corp.
Feb. 19 (letter of notification) 200,000 shares of common stock (par 10 cents) to be offered to stockholders. **Price**—25 cents per share. **Proceeds**—For general corporate purposes. **Office**—248 McWhorter St., Newark 5, N. J. **Underwriter**—None.

★ Electrodata Corp., Pasadena, Calif.
March 15 filed 450,000 shares of common stock (par $1), of which 435,000 shares are to be offered for subscription by common stockholders of Consolidated Engineering Corp. at rate of one share for each two Consolidated shares held. **Price**—$3.50 per share. **Proceeds**—To repay advances from Consolidated and for working capital, etc. **Business**—To design, develop, manufacture and sell or lease standard and specialized electronic data processing equipment for scientific, industrial and commercial uses. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif.

★ Empire Oil & Refining Co., Inc., Tyler, Texas
March 9 (letter of notification) 60,000 shares of common stock (par five cents). **Price**—At market (estimated at 70 cents per share). **Proceeds** — To underwriter, Charter Securities Corp., New York.

Fidelity Acceptance Corp., Minneapolis, Minn.
Jan. 26 (letter of notification) 2,800 shares of 6% cumulative preferred stock, class E. **Price**—At par ($25 per share). **Proceeds**—To be available to subsidiaries and reduce outstanding bank loans. **Office**—820 Plymouth Bldg., Minneapolis, Minn. **Underwriters**—M. H. Bishop & Co., Minneapolis, Minn.; and B. I. Barnes, Boulder, Colo.

★ Fidelity Fund, Inc., Boston, Mass.
March 15 filed 1,500,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

Financial Credit Corp., New York
Jan. 29 filed 250,000 shares of 7% cumulative sinking fund preferred stock. **Price**—At par ($2 per share). **Proceeds**—For working capital. **Underwriter**—E. J. Fountain & Co., Inc., New York.

Gamma Corp., Wilmington, Del.
Feb. 2 (letter of notification) 140,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For inventory, capital expenditures and working capital. **Office**—100 West 10th Street, Wilmington, Del. **Underwriter**—Sheehan & Co., Boston, Mass.

General Stores Corp., New York
March 8 filed 300,000 shares of common stock (par $1). **Price**—$1.37½ per share. **Proceeds**—To pay part of cost of acquisition of Ford Hopkins Co., Chicago, Ill. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill.

General Telephone Co. of the Southwest (3/24)
March 4 filed 75,000 shares of 5½% cumulative preferred stock (par $20). **Price**—$21 per share. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—None, but Mitchum, Tully & Co., San Francisco, Calif., will assist and advise the company.

Georgia Power Co. (4/6)
March 10 filed $11,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Salomon Bros. & Hutzler and Shields & Co. (jointly); Harriman Ripley & Co., Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly); The First Boston Corp.; Lehman Brothers; Morgan Stanley & Co. **Bids**—Expected to be received up to 11 a.m. (EST) on April 6.

Gillette Co., Boston, Mass.
March 5 filed 196,300 shares of common stock (par $1) to be offered from time to time by the company to its officers and other key executives pursuant to "Employees' Stock Option Plan."

Glasspar Co., Santa Ana, Calif.
Feb. 17 (letter of notification) 250,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital and expenses incident to business of manufacture and sale of laminated fiberglass products. **Office**—19101 Newport Boulevard, Santa Ana, Calif. **Underwriter**—Marache, Dofflemyre & Co., Los Angeles, Calif.

● Goebel Brewing Co.
Feb. 24 filed 200,000 shares of 60-cent convertible preferred stock (par $10) being offered to common stockholders of record March 12 on the basis of one share of preferred stock for each seven shares of common stock held; rights to expire on March 31. **Price**—$10 per share. **Proceeds**—For expansion and working capital. **Underwriters**—Van Alstyne, Noel & Co., New York, and Nauman, McFawn & Co., Detroit, Mich.

Growers Container Corp., Salinas, Calif.
Feb. 15 filed 1,450,000 shares of common stock, to be offered primarily to individuals and firms in the Salinas Valley, Imperial Valley, Yuma, Phoenix, and other districts in and outside of San Francisco and Arizona, who are engaged in or allied to the growing and shipping industry. **Price**—At par ($1 per share). **Proceeds**—Construction of plants, acquisition of equipment, and for working capital. **Business**—Primarily manufacture of cartons and bags used for shipment of various vegetables. **Underwriter**—None.

Harlan-Franklin Oil Corp., Jersey City, N. J.
March 1 (letter of notification) 297,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expenses incident to acquisition of property and related activities with respect to oil business. **Office**—15 Exchange Place, Jersey City, N. J. **Underwriter**—Luster Securities Co., 26 Journal Square, Jersey City, New Jersey.

★ Howell Mining Co., Salt Lake City, Utah
March 10 (letter of notification) 1,200,000 shares of common stock (par five cents). **Price**—15 cents per share. **Proceeds**—For mining expenses. **Office**—816 Newhouse Building, Salt Lake City, Utah. **Underwriter**—None.

★ Incorporated Investors, Boston, Mass.
March 17 filed 1,500,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

Israel (State of)
Feb. 24 filed $350,000,000 of development bonds to be offered in two types, viz: 15-year 4% dollar coupon bonds and 10-year dollar savings (capital appreciation) bonds. **Price**—100% of principal amount. **Proceeds**—For investment in The State of Israel for agriculture, industry and power, transportation and communication, and low cost housing; and for general reserve. **Underwriter**—American Financial & Development Corp. for Israel, New York. Statement effective March 10.

Laclede Gas Co., St. Louis, Mo. (3/24)
Feb. 26 filed $10,000,000 sinking fund debentures due 1974. **Proceeds**—For repayment of bank loans and for construction costs. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; The First Boston Corp.; Blair, Rollins & Co. Inc.; Stone & Webster Securities Corp. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EST) on March 24 at Bankers Trust Co., 46 Wall Street, New York, N. Y.

Landa Oil Co., Dallas, Texas
Feb. 26 (letter of notification) $100,000 of 10-year 6% sinking fund bonds, series B, dated April 1, 1954 and due March 31, 1964 (callable at 103% and accrued interest). **Price**—At face amount (in denominations of $100, $500 and $1,000 each). **Proceeds**—For working capital. **Office**—5738 North Central Expressway, Landa Building, Dallas, Texas. **Underwriter** — Lynch, Allen & Co., Inc., Landa Building, Dallas, Texas.

● Light Metals Refining Corp., New York (4/1)
Feb. 15 filed 1,250,000 shares of common stock (par $1). **Price** — $4 per share. **Proceeds** — For construction and equipment of control plant, and main plant, working capital, advance royalties and reserves. **Business** — To refine beryllium ore and market the products. **Underwriter**—Philip Gordon & Co., Inc., New York.

Los Angeles Drug Co.
Jan. 28 filed $178,000 of 15-year 5% sinking fund debentures, due Oct. 1, 1966, and 50,000 shares of capital stock (no par), the latter to be first offered for subscription by stockholders. **Price**—For debentures, at par; and for stock, $10 per share. **Proceeds**—To finance expanded merchandise inventory and operating equipment (new building), and for working capital. **Underwriter**—None.

Louisiana Power & Light Co. (3/23)
Feb. 25 filed 70,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; W. C. Langley & Co. and The First Boston Corp. (jointly); Lehman Brothers; Kuhn, Loeb & Co.; Union Securities Corp.; Equitable Securities Corp.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—To be received up to noon (EST) on March 23, 1954, at 2 Rector St., New York 6, N. Y.

● Magnolia Park, Inc. (3/24)
Jan. 29 filed $2,500,000 of 6% subordinated convertible debentures due 1969 and 250,000 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 10 shares of stock. **Price**—$101 per unit. **Proceeds**—For construction of racing plant and for expenses incident to racing activities. **Underwriters**—Gearhart & Otis, Inc. and Hunter Securities Corp., both of New York; and T. J. Feibleman & Co., New Orleans, La.

Mallinckrodt Chemical Works (3/24)
March 1 filed 75,000 shares of class A common stock par $10). **Price**—To be supplied by amendment. **Proceeds**—For expansion. **Underwriter**—Newhard, Cook & Co., St. Louis, Mo.

★ Market Basket, Los Angeles, Calif. (4/5)
March 15 filed 28,830 shares of common stock (par 50 cents) to be offered for subscription by stockholders on a one-for-ten basis. **Price** — To be supplied by amendment. **Proceeds**—For improvements and working capital. **Underwriters**—Bateman, Eichler & Co., The First California Co., Inc., and William R. Staats & Co., all of Los Angeles, Calif.

● McBride Oil & Gas Corp., San Antonio, Texas
Jan. 26 filed 2,000,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—To repay notes for exploration and drilling expenses and additions to properties, and for workikng capital. **Underwriter**—Continental Securities Corp., Houston, Texas.

Merchants Acceptance Corp., N. Y. (3/23)
March 1 filed $1,300,000 12-year sinking fund subordinated debentures due March 1, 1966. **Price**—100% of principal amount. **Proceeds**—To pay $306,000 of outstanding subordinated debt and for other corporate purposes. **Underwriter**—G. H. Walker & Co., New York.

Merritt-Chapman & Scott Corp., New York
Dec. 31 filed 513,594 shares of common stock (par $12.50) being offered in exchange for 1,078,546.25 shares of authorized and issued common stock (par $1) of Newport Steel Corp. at rate of one share of Merritt-Chapman stock for each 2.1 shares of Newport stock. Offer will expire on March 27. **Underwriter**—None.

Mississippi Chemical Corp., Yazoo City, Miss.
Jan. 5 filed 26,666 shares of special common stock (par $75—limited dividend) and $1,500,000 of certificates of participation (to be sold in multiples of $75—5% interest). **Proceeds**—From sale of these securities, together with bank borrowings, are to be used for expansion of facilities. **Underwriter**—None. Sales will be handled by company employees. **Offering**—Expected during March.

Missouri Public Service Co.
Jan. 14 filed 527,865 shares of common stock (no par) to be offered for subscription by common stockholders on a share-for-share basis (with a 13-day standby). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to acquire capital stock of Gas Service Co. (a subsidiary of Cities Service Co.). **Underwriter**—Kidder, Peabody & Co., New York. On Feb. 25, the sale of Gas Service Co. was called off by Cities Service Co., Missouri Public Service Co. plans to submit another bid for Gas Service stock.

Monterey Oil Co., Los Angeles, Calif.
Feb. 2 filed 257,338 shares of common stock (par $1). **Price**—At the market price then prevailing on the New York Stock Exchange, or through special offerings or secondary distributions. **Proceeds**—To Lehman Brothers (400 shares); partners of Lehman Brothers and members of their immediate families (150,458); and The Lehman Corp. (106,480). **Underwriter**—None. No general offer planned.

Mountain States Telephone & Telegraph Co. (3/26)
March 5 filed 487,248 shares of capital stock to be offered to stockholders of record March 26 on the basis of one new share for each four shares held; rights to expire on April 30. About 87% of the presently outstanding stock is owned by American Telephone & Telegraph Co. **Price**—At par ($100 per share). **Proceeds**—To repay advances from parent company and for new construction. **Underwriter**—None.

★ Mutual Shares Corp., New York
March 11 filed 101,635 shares of common stock. **Price**—At market. **Proceeds**—For investment.

★ Natick Industries, Inc., Natick, Mass.
March 10 (letter of notification) 58,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital, etc. **Underwriter**—J. P. Marto & Co., Boston, Mass.

National Fuel Gas Co. (4/12)
March 9 filed $15,000,000 sinking fund debentures due 1979. **Proceeds** — To purchase certain shares of subsidiaries, who will use the proceeds to repay bank loans incurred for construction. **Underwriters**—For any debentures to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly); White, Weld & Co.; Harriman Ripley & Co. Inc. **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on April 12 at 11 Broad St., New York, N. Y.

National Union Fire Insurance Co. (3/22)
Feb. 26 filed 200,000 shares of capital stock (par $5) to be offered for subscription by stockholders of record March 19 on the basis of one new share for each two shares held; rights to expire on April 19. **Price**—$30 per share. **Proceeds**—To be added initially to the company's general funds to be invested in securities which are qualified as legal investments. **Underwriter**—The First Boston Corp., New York.

New Bristol Oils, Ltd., Toronto, Ont., Canada
Dec. 18 filed 1,000,000 shares of common stock (par $1). **Price**—To be related to the bid price of the shares on the Toronto Stock Exchange, with a 20% underwriting commission. **Proceeds**—For general corporate purposes. **Underwriter**—To be named by amendment.

New England Gas & Electric Association
Dec. 10 filed 32,126 common shares of beneficial interest (par $8) being offered in exchange for common stock of New Bedford Gas & Edison Light Co. held by minority stockholders on the basis of 4¾ New England shares for each New Bedford share held. The offer will expire on April 24. **Financial Advisor**—The First Boston Corp., New York.

★ New Haven Board & Carton Co.
March 9 (letter of notification) a maximum of 1,000 shares of common stock (par $12.50). **Price**—At market (estimated at $47.40 per share). **Proceeds**—To Joseph S. Miller, President and a director. **Underwriter**—F. Eberstadt & Co., Inc., New York.

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New Yorker Magazine, Inc.
Feb. 23 (letter of notification) 2,400 shares of common stock (par $1). **Price**—$20.25 per share. **Proceeds**—To a selling stockholder. **Underwriter** — Silberberg & Co., New York.

North American Uranium & Oil Corp., N. Y. (4/5)
March 1 filed 750,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For capital expenditures, including payment of balance due on certain claims and properties. **Underwriter**—Israel & Co., New York.

North Shore Music Theater, Inc., Boston, Mass.
Feb. 3 (letter of notification) $80,000 of 5% notes due Feb. 1, 1974, and 2,000 shares of common stock (par $10) to be sold in units of $400 principal amount of notes and 10 shares of stock. **Price**—$500 per unit. **Proceeds**—For actors' equity bond, royalties, land, construction of theater and related expenses. **Office**—60 State St., Boston, Mass. **Underwriter**—H. C. Wainwright & Co., Boston, Mass.

★ **Northern States Power Co. (Minn.) (4/14)**
March 16 filed 1,219,856 shares of common stock (par $5) to be offered for subscription by common stockholders on the basis of one new share for each 10 shares held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers and Riter & Co. (jointly); The First Boston Corp., Kuhn, Loeb & Co. and Blyth & Co., Inc. (jointly); Smith, Barney & Co.; White, Weld & Co. and Glore, Forgan & Co. (jointly). **Bids**—Tentatively expected to be received on April 14.

★ **Northern States Power Co. (Minn.) (4/20)**
March 16 filed 150,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers and Riter & Co. (jointly); Smith, Barney & Co. **Bids**—Tentatively expected to be received on April 20.

★ **Ohio Power Co. (4/14)**
March 12 filed $20,000,000 of first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Kuhn, Loeb & Co., A. C. Allyn & Co., Inc. and Coffin & Burr, Inc. (jointly); Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on April 14.

★ **Ohio Power Co. (4/14)**
March 12 filed 50,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Kuhn, Loeb & Co., A. C. Allyn & Co. Inc. and Coffin & Burr, Inc. (jointly); Blyth & Co., Inc.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Harriman Ripley & Co., Inc. and Stone & Webster Securities Corp. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on April 14.

★ **Onego Corp., Uniontown, Pa.**
March 12 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay loan and to develop oil and gas properties. **Office**—52 East Main Street, Uniontown, Pa. **Underwriter**—Langley-Howard, Inc., Pittsburgh, Pa.

● **Pacific Power & Light Co. (3/29)**
Feb. 25 filed $8,000,000 first mortgage bonds due 1984. **Proceeds**—For construction program and to repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc. and White, Weld & Co. (jointly); Kidder, Peabody & Co.; Union Securities Corp.; Bear Stearns & Co., Lehman Brothers and Salomon Bros. & Hutzler (jointly). **Bids**—To be received up to noon (EST) March 29 in Room 2033, Two Rector St., New York, N. Y.

Pennsylvania Gas Co. (3/19)
Feb. 25 (letter of notification) 17,526 shares of capital stock (no par) to be offered for subscription by minority stockholders of record March 19 on basis of one new share for each 12½ shares held; rights to expire on April 26. National Fuel Gas Co., majority stockholder, will subscribe for an additional 28,554 shares. **Price**—$15 per share. **Proceeds**—For acquisition and working capital. **Office**—Warren, Pa. **Underwriter**—None.

★ **Pennsylvania Power & Light Co. (4/5)**
March 12 filed 704,917 shares of common stock (no par) to be offered for subscription by common stockholders of record April 2 at the rate of one new share for each seven shares held; rights to expire on April 19. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—The First Boston Corp., New York, and Drexel & Co., Philadelphia, Pa.

● **Pioneer Finance Co., Detroit, Mich. (3/19)**
March 4 (letter of notification) 135,160 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—1400 National Bank Building, Detroit, Mich. **Underwriters**—Watling, Lerchen & Co., Detroit, Mich., and Mullaney, Wells & Co., Chicago, Ill.

★ **Platora Uranium Corp., Denver, Colo.**
March 9 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining operations. **Office**—407 University Building, Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

★ **Price (T. Rowe) Growth Stock Fund, Inc.**
March 16 filed 25,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

★ **Public Service Co. of New Mexico**
March 17 filed 138,551 shares of common stock (par $5) to be offered for subscription by common stockholders of record April 1 at the rate of one new share for each 10 shares held. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter** — Allen & Co., New York.

Rochester Gas & Electric Corp. (3/25)
March 5 filed 50,000 shares of preferred stock, series J (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans incurred for construction. **Underwriter**—The First Boston Corp., New York.

★ **Safeway Stores, Inc., Oakland, Calif.**
March 17 filed 268,740 shares of cumulative convertible preferred stock (par $100) to be offered for subscription by common stockholders at rate of one preferred share for each 13 shares of common stock held. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for working capital. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

● **San Diego Gas & Electric Co. (3/30)**
March 3 filed $17,000,000 first mortgage bonds, series E, due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Blyth & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; White, Weld & Co., and Shields & Co. (jointly); Lehman Brothers; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Expected to be received up to 8:30 a.m. (PST) on March 30 at 111 Sutter Street, San Francisco 4, California.

San Juan Horse Racing Association
Feb. 26 (letter of notification) 50,000 shares of common stock. **Price** — $1 per share. **Proceeds** — To construct track and for working capital. **Office** — 1040 Main Avenue, Durango, Colo. **Underwriter** — Matthew W. Thomas.

★ **Saxon Mining Co., Coeur d'Alene, Idaho**
March 9 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price** — 25 cents per share. **Proceeds**—For mining expenses. **Office**—Powell Building, Coeur d'Alene, Idaho. **Underwriter** — Clarence Donald Nelson, Spokane, Wash.

Scurry-Rainbow Oil Ltd., Calgary, Alta., Canada
Feb. 15 filed 4,700,416 shares of capital stock (par 50 cents) being offered in exchange for the 2,670,000 shares of Scurry Oils Ltd. stock on a share-for-share basis, and in exchange for the 534,320 shares of Rainbow Oil Ltd. stock on a basis of 3.8 shares of Scurry-Rainbow stock for each Rainbow Oil share. The offer expires April 5. **Underwriter**—None.

● **Sheraton Corp. of America, Boston, Mass.**
Feb. 18 filed $3,273,800 of 6% debentures due April 1, 1979 (with warrants to purchase shares of common stock, par 50 cents) being offered for subscription by stockholders of record March 11 on the basis of $100 of debentures (with stock purchase warrants) for each 100 shares of common stock held; rights to expire March 29. **Price** — At par. **Proceeds** — Principally to reduce short-term bank loans. **Underwriters** — Paine, Webber, Jackson & Curtis, Boston, Mass.; and Hamlin & Lunt, Buffalo, N. Y.

Shield Chemical Corp.
March 1 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds** — For expansion, research and development expenses and working capital. **Office** — 251 Grove Ave., Verona, N. J. **Underwriter** — Daggett Securities, Inc., Newark, N. J.

★ **Shoreland Freezers, Inc., Salisbury, Md.**
March 9 (letter of notification) $125,000 of 6% convertible debentures to be offered first to stockholders and then to general public. **Price**—At par. **Proceeds**—For construction of warehouse and working capital. **Office**—1100 S. Division St., Salisbury, Md. **Underwriter**—None.

Signature Loan Co., Inc., Pittsfield, Mass. (3/25)
March 5 filed 58,916 shares of 7% cumulative convertible preferred stock (par $11) to be offered in exchange for outstanding participating preferred stock held at close of business March 25 on basis of two new shares of 7% stock for each old participating preferred share held. Subject to prior right of exchange, 47,806 shares of the new preferred are to be purchased by the below named underwriters and reoffered to public. **Price**—$11.50 per share. **Proceeds**—To retire participating preferred stock. **Underwriters** — Simon, Strauss & Himme, New York; William N. Pope, Inc., Syracuse, N. Y.; and Chace, Whiteside, West & Winslow, Inc., Boston, Mass. **Change in Name** — Company was formerly known as Federal Loan Co. of Pittsfield, Inc.

● **Signature Loan Co., Inc. (3/25)**
March 5 filed 29,458 shares of convertible preferred stock (par $11) and 29,458 shares of class A common stock (par $1) to be offered to holders of participating preferred stock in units of one share of each class of stock on the basis of one unit for each participating preferred share held as of record March 25. Company was formerly Federal Loan Co. of Pittsfield, Inc. **Price**—$15 per unit to stockholders and $15.50 per unit to public. **Proceeds** — For expansion and working capital. **Underwriters** — Simon, Strauss & Himme and A. M. Kidder & Co., both of New York; William N. Pope, Inc., Syracuse, N. Y.; Chace, Whiteside, West & Winslow, Inc. and Draper, Sears & Co., both of Boston, Mass.; and Chilson, Newbery & Co., Kingston, N. Y.

Somerset Telephone Co.
Feb. 25 (letter of notification) 5,600 shares of preferred stock. **Price** — At par ($5 per share). **Proceeds** — To establish three dial exchanges. **Office**—Norridgewock, Maine. **Underwriters**—E. H. Stanley & Co. and Clifford J. Murphy Co., of Waterville, Maine.

★ **Southern Central Life Insurance Co., Fort Worth, Texas**
March 10 (letter of notification 5,000 shares of common stock (par $5). **Price**—$22 per share. **Proceeds**—For organization expenses, capital investment and working capital. **Office**—c/o H. J. Low, Continental Life Building, Fort Worth, Texas. **Underwriter**—None.

Southern Indiana Gas & Electric Co. (3/25)
March 5 filed 114,166 shares of common stock (no par) to be offered for subscription by common stockholders of record March 24 on the basis of one new share for each seven shares held; rights to expire on April 8. **Price**—To be fixed by company on March 23. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Smith, Barney & Co., New York.

Southern Indiana Gas & Electric Co. (4/13)
March 5 filed $8,000,000 first mortgage bonds due April 1, 1984. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co.; Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler; The First Boston Corp.; Equitable Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Blair, Rollins & Co. Inc. **Bids**—To be received up to 11 a.m. (EST) on April 13 at office of Commercial Services, Inc., 20 Pine Street, New York, N. Y.

Spa-King Mount Clemens Water Products Corp. (3/22)
March 1 (letter of notification) 299,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital, etc. **Office**—34-24 Vernon Blvd., Long Island City 1, N. Y. **Underwriter**—Teden & Co., Inc., New York.

Spokane Seed Co., Spokane, Wash.
March 8 filed $600,000 of 5% convertible debentures due June 15, 1964, to be sold to pea growers located in Eastern Washington and Northern Idaho. **Price**—100% of principal amount. **Proceeds**—To improve facilities and for working capital. **Underwriter**—None.

★ **Standard Uranium Corp., Moab, Utah (4/6)**
March 15 filed 1,430,000 shares of common stock (par one cent). **Price**—$1.25 per share. **Proceeds**—To exercise options on claims, and for general corporate purposes. **Underwriters**—Gearhart & Otis, Inc., New York, and Crerie & Co., Houston, Tex.

Strevell-Paterson Finance Corp.
Feb. 19 filed 640,000 shares of common stock (par 50 cents) to be offered in exchange for the $300,000 par value of authorized, issued and outstanding capital stock of Strevell-Paterson Finance Co. on the basis (a) of 13 shares of Corporation stock for each of the 5,000 shares of 5% cumulative preferred stock (par $10) of the Company and (b) 23 shares of Corporation stock for each of the 25,000 shares of $10 par common stock of the company. **Underwriter**—None. **Office**—Salt Lake City, Utah.

● **Stromberg-Carlson Co.**
Feb. 24 filed 72,025 shares of 4½% cumul. convertible preferred stock (par $50) being offered to common stockholders of record March 15 on the basis of one new share for each seven shares held; rights to expire on March 31. **Price**—$50 per share. **Proceeds**—To repay $1,100,000 bank loans and for general corporate purposes. **Underwriter**—The First Boston Corp., New York

★ **Technical Charts, Inc.**
March 8 (letter of notification) not more than $50,000 of class B capital stock to be offered to employees during 1954. **Proceeds**—For working capital. **Office**—189 Van Rennselaer Street, Buffalo 10, N. Y. **Underwriter**—None.

★ **Tennessee Gas Transmission Co. (3/30)**
March 11 filed 100,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co., both of New York.

Texas Co., New York
Feb. 25 filed $11,500,000 participations in company's "Employees Savings Plan" and 178,295 shares of capital stock (par $25) to be offered for subscription pursuant thereto.

Texas Eastern Transmission Corp. (3/24)
March 4 filed $17,000,000 of debentures due March 1, 1974. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Dillon, Read & Co. Inc., New York.

★ **Texas Utilities Co. (4/13)**
March 15 filed 250,000 shares of common stock (no par). **Proceeds**—For investment in subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on April 13, 1954.

Textron Incorporated, Providence, R. I.
Feb. 8 filed 195,668.4 shares of 4% preferred stock, series B (par $100) and 489,171 shares of common stock (par 50 cents) to be offered to holders of the 978,342 shares of common stock of American Woolen Co. on the basis of

one-fifth of a share of preferred and one-half share of common stock plus $5 in cash for each American Woolen common share. The offer will expire March 22, unless extended. **Dealer-Manager** — Blair, Rollins & Co. Inc., New York.

★ Tikada Holding Co., Miami, Fla.
March 4 (letter of notification) 1,000 shares of common stock (no par). **Price** — $100 per share. **Proceeds**—To three selling stockholders. **Office**—Dade-Commonwealth Bldg., Miami, Fla. **Underwriter**—None.

Trans Caribbean Airways, Inc.
March 4 (letter of notification) 20,000 shares of class A common stock (par 10 cents). **Price**—At market (about $2.25 per share). **Proceeds**—To O. Roy Chalk, President, who is the selling stockholder. **Underwriter** — B. G. Phillips & Co., New York.

Union Uranium Co., Denver, Colo.
Feb. 16 (letter of notification) 29,910,000 shares of common stock, purchasers of the first 9,970,000 shares to be given the option to purchase two additional shares for each share purchased. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—230 E. 19th Avenue, Denver, Colo. **Underwriter**—J. W. Hicks & Co., Denver, Colo.

Utah Power & Light Co. (3/23)
Feb. 16 filed 200,000 shares of common stock (no par). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; The First Boston Corp.; Union Securities Corp. and Smith, Barney & Co. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on March 23, at Room 2033, Two Rector St., New York, N. Y.

Utah Power & Light Co. (5/19)
Feb. 16 filed $15,000,000 of first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Union Securities Corp. and Smith, Barney & Co (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co.; Salomon Bros. & Hutzler. **Bids**—Tentatively expected to be received up to noon (EDT) on May 19, at Room 2033, Two Rector St., New York, N. Y.

★ Utah-Wyoming Atomic Corp., Salt Lake City, Utah
March 10 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—To purchase, explore and develop claims. **Office**—Judge Building, Salt Lake City, Utah. **Underwriter** — Securities National Corp., Newark, N. J.

★ Vanadium Corp. of America
March 8 (letter of notification) 1,004 shares of capital stock (no par) to be issued upon exercise of option by eight employees. **Price**—$31.24 per share. **Proceeds**—For general corporate purposes. **Office**—420 Lexington Avenue, New York 17, N. Y. **Underwriter**—None.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sales of $55,000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

★ West Texas Utilities Co.
March 15 filed 60,000 shares of cumulative preferred stock (par $100), of which 47,370 shares are to be first offered in exchange for outstanding $6 cumulative preferred stock on a share-for-share basis. **Proceeds**—To redeem $6 preferred stock and to finance new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.; Harriman Ripley & Co. Inc.; Union Securities Corp.; Lehman Brothers; Stone & Webster Securities Corp.

★ Western Kentucky Gas Co., Owensboro, Ky.
March 17 filed 125,000 shares of common stock (par $5), of which 50,000 shares are for the account of the company and 75,000 shares for the account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To pay outstanding loans and for new construction. **Underwriters** — Equitable Securities Corp., Nashville, Tenn., and J. J. B. Hilliard & Son, Louisville, Ky.

Westinghouse Electric Corp., Pittsburgh, Pa.
March 2 filed 483,190 shares of common stock (par $12.50) to be offered under restricted stock option plan to certain officers and other executive employees of company and its subsidiaries; and 200,000 shares of said stock to be offered under employees' stock plan to employees of company and six subsidiaries.

★ Whirlpool Corp., St. Joseph, Mich.
March 8 (letter of notification) 31,000 shares of common stock (par $5) to be offered for subscription by employees and officers of company. **Price**—85% of the fair market value. **Proceeds**—For working capital. **Office**—304 N. State Street, St. Joseph, Mich. **Underwriter**—None.

● Winn & Lovett Gocery Co. (3/30-31)
March 10 filed $10,000,000 sinking fund debentures to mature April 1, 1974. **Price**—To be supplied by amendment. **Proceeds** — To retire $4,400,000 of outstanding funded debt and for general corporate purposes. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

● Wisconsin Public Service Corp.
Feb. 19 filed 316,867 shares of common stock (par $10) being offered for subscription by common stockholders of record March 12 on the basis of one new share for each seven shares held; rights to expire on March 30. Up to not exceeding 10,000 shares of unsubscribed shares to be offered first to employees. **Price**—$18.40 per share. **Proceeds**—For construction program. **Underwriters** — The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane, both of New York; Robert W. Baird & Co., Inc., Milwaukee, Wis.; and William Blair & Co., Chicago, Ill.

Prospective Offerings

Alabama Gas Corp.
March 1 it was announced stockholders will vote April 20 on approving an increase in the authorized common stock (par $2) from 1,000,000 to 2,000,000 shares. Southern Natural Gas Co., parent, owns about 99% of the presently outstanding common stock. There are no plans for immediate financing. **Underwriter**—None.

★ American Natural Gas Co.
March 11 it was announced stockholders will vote April 28 on increasing the authorized common stock from 4,000,000 to 5,000,000 shares to enable the company to sell additional shares when necessary. Offering will probably be made to present stockholders: **Proceeds**—To subsidiaries for their construction programs. **Underwriter**—None.

Arkansas Louisiana Gas Co.
Feb. 22 it was reported Cities Service Co. may sell its holdings of 1,900,000 shares of this company's stock. If sold at competitive bidding, bidders may include Smith, Barney & Co. and Blyth & Co., Inc. (jointly).

Arkansas Power & Light Co. (4/20)
March 3 it was announced company plans to issue and sell 70,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; The First Boston Corp. and W. C. Langley & Co. (jointly); Lehman Brothers, Equitable Securities Corp. and White, Weld & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on April 20. **Registration**—Expected March 18.

Arkansas Power & Light Co.
Feb. 8 it was reported company plans to sell, probably in August, an issue of about $7,500,000 first mortgage bonds due 1984. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers, Stone & Webster Securities Corp. and White, Weld & Co. (jointly); Blyth & Co., Inc., Equitable Securities Corp. and Central Republic Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly).

● Baltimore & Ohio RR.
One bid was received by the Secretary of Reconstruction Finance Corporation, 811 Vermont Ave., N. W., Washington 25, D. C., on March 15 for the purchase from the RFC of all or any part of $65,000,000 collateral trust 4% bonds, series A, due Jan. 1, 1965 of this railroad. This bid of 85½ and accrued interest made by Bear, Stearns & Co. was rejected.

Boston Edison Co.
Feb. 15 it was announced company plans to issue and sell about $15,000,000 of first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); White, Weld & Co.; Harriman Ripley & Co. Inc. **Offering**—Tentatively expected in June.

Carrier Corp.
Feb. 23 stockholders approved a proposal to increase the authorized common stock (par $10) from 1,600,000 shares to 5,000,000 shares and the authorized preferred stock (par $50) from 181,855 shares to 800,000 shares to provide for further possible financing. **Proceeds**—For expansion, etc. **Underwriters**—Harriman Ripley & Co. Inc. and Hemphill, Noyes & Co.

Central Hudson Gas & Electric Corp.
March 8 it was announced issues of mortgage bonds and preferred stock are now under consideration, but definite plans will depend largely upon developments in the securities markets. Construction cash requirements are estimated at $17,300,000 for 1954-1955. Company is reported to be considering the issuance of about $9,000,000 bonds this fall and $3,500,000 of preferred stock in 1955. **Underwriter**—Kidder, Peabody & Co., New York.

Central Illinois Electric & Gas Co.
Dec. 9 it was announced company intends to offer and sell around the middle of 1954 an issue of $4,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly).

Central Maine Power Co.
Oct. 7 it was reported company plans sale during the first quarter of 1954 of $10,000,000 common stock after distribution by New England Public Service Co. of its holdings of Central Maine Power Co. common stock. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc.

Central Power & Light Co. (4/12-16)
March 2 company applied to SEC for authority to issue and sell $18,000,000 first mortgage bonds, series F, due 1984. **Proceeds**—To refund an issue of $8,000,000 4⅛% series E bonds and to repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp., Eastman, Dillon & Co., Goldman, Sachs & Co. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Union Securities Corp. and Kidder, Peabody & Co. (jointly). **Bids**—Tentatively expected week of April 12. **Registration**—Scheduled for March 22.

● Central RR. of New Jersey (3/25)
March 9 company sought ICC permission to issue and sell $1,980,000 equipment trust certificates to be dated April 1, 1954 and to mature in 15 annual installments to April 1, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

★ Colonial Fund, Inc.
March 12 it was reported that, in connection with proposal to mutualize this Fund, a block of capital stock may be offered publicly through Stone & Webster Securities Corp., New York, and associates.

★ Colorado Fuel & Iron Corp. (3/24-25)
March 17 it was announced a secondary offering is expected of 100,000 shares of 5½% preferred stock, series B (par $50). **Underwriter**—Allen & Co., New York.

Columbia Gas System, Inc. (4/21)
March 2 company filed an application with SEC covering a proposed offer of $50,000,000 convertible subordinated debentures due 1964 to common stockholders on the basis of $100 of debentures for each 36 shares held on or about April 21. **Proceeds** — For construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Tentatively scheduled for April 21.

Columbia Gas System, Inc.
March 5 it was announced that company plans early in June to issue and sell $40,000,000 of senior debentures and an additional $40,000,000 of senior debentures later in 1954. **Proceeds**—For construction expenses and to repay a bank loan of $25,000,000. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Connecticut Light & Power Co.
Dec. 7 it was reported company plans to raise between $10,000,000 and $20,000,000 in 1954 from sale of bonds and stock. **Underwriters**—For common stock: Putnam & Co.; Chas. W. Scranton & Co., and Estabrook & Co. Bonds may be placed privately.

● Consolidated Natural Gas Co. (5/25)
Jan. 27 it was reported company plans to issue and sell $25,000,000 of debentures due 1979. **Proceeds**—To purchase stock of company's operating subsidiaries, who in turn will apply these proceeds for construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan Stanley & Co. and The First Boston Corp. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EDT) on May 25.

● Eastern Utilities Associates
March 8 it was announced company plans the sale not later than Oct. 1, 1954 of about $2,000,000 of common stock, probably first to stockholders. **Proceeds**—To repay bank loan.

Fidelity Trust of America, Dallas, Tex.
Dec. 22 it was announced that company plans to increase its capitalization to $3,000,000, following which a registration statement will be filed with the SEC to authorize a new offering. There are presently author-

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ized 35,000 shares of no par value, of which 33,750 shares will be outstanding following present offering and sale of 30,000 shares of common stock at $10 per share. **Business**—A discount and lending organization. **Office**—Fidelity Bldg., Dallas, Tex. **Underwriter**—May be Boylen, Kasper & Co., Dallas, Tex.

First National Bank of Portland (Ore.)
Feb. 23 stockholders approved a proposal to issue and sell to stockholders of record Feb. 26 a total of 400,000 additional shares of $12.50 par value capital stock on the basis of one new share for each three shares held; rights to expire on April 15. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Unsubscribed shares to be purchased by Transamerica Corp.

First National Bank of Toms River, N. J. (5/14)
Jan 12 it was announced bank plans to offer for subscription by its stockholders of record May 1, 1954, an additional 3,000 shares of capital stock (par $10) on the basis of one new share for each 26 shares held; rights to expire on June 16. **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Florida Power Corp.
Feb. 15 it was announced stockholders will vote March 25 on increasing authorized preferred stock from 250,000 to 500,000 shares and the common stock from 2,500,000 to 5,000,000 shares. **Underwriters** — Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

Florida Power & Light Co.
Jan. 25 it was reported company may later this year issue and sell about $15,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co. and Harriman Ripley & Co. Inc. (jointly).

Foote Mineral Co., Philadelphia, Pa.
Feb. 20 it was announced stockholders will vote April 22 on increasing the authorized common stock (par $2.50) from 500,000 shares to 1,000,000 shares. There are presently 276,088 shares outstanding and an additional 43,217 shares are reserved for conversion of debentures and the remaining 180,695 shares are available for the employees' stock bonus plan. The proposed increase in capitalization is necessary to provide additional shares to finance the continued growth of the company, or if it seems advisable for stock dividends or a stock split. **Underwriter**—Estabrook & Co., New York and Boston.

Gas Service Co. (Mo.)
Feb. 25 Cities Service Co. announced the cancellation of its contract to sell the Gas Service Co.'s 1,500,000 shares of common stock to Missouri Public Service Co. for $32,000,000. If these shares are again registered with the SEC, they may be offered for sale at competitive bidding. Probable bidders include: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Stone & Webster Securities Corp. and Stern Bros. & Co. (jointly); Union Securities Corp. Missouri Public Service Co. has indicated it may submit another bid.

• General Public Utilities Corp. (5/17)
March 8 it was announced company plans to offer about 606,576 additional shares of common stock (par $5) to stockholders on the basis of one new share for each 15 shares held on or about May 15; rights to expire June 2. **Price**—To be determined just prior to the offering date. **Proceeds**—To be invested in the domestic subsidiaries. **Underwriter**—None, but Merrill Lynch, Pierce, Fenner & Beane may act as clearing agent.

Gulf Insurance Co., Dallas, Texas (4/12)
Feb. 15, T. R. Mansfield, President, announced that company plans to offer to its stockholders of record April 12 the right to subscribe for 5,000 additional shares of capital stock (par $10) on a pro rata basis. **Price**—Not exceeding $55 per share. **Proceeds** — To increase capital and surplus. **Underwriters**—None.

Hewitt-Robins, Inc.
March 3 it was announced stockholders will vote March 23 on authorizing an issue of 50,000 shares of cumulative preferred stock (par $50), of which it is planned to sell 25,000 shares. **Proceeds**—To acquire additional properties and for working capital. **Underwriter**—F. Eberstadt & Co., Inc., New York.

Illinois Central RR. (3/25)
Bids will be received by the company up to noon (CST) on March 25 at Room 301, 135 East 11th Place, Chicago 5, Ill., for the purchase from it of $6,300,000 equipment trust certificates, series 39, to be dated April 1, 1954 and to mature in 30 equal semi-annual installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Blair, Rollins & Co. Inc.; Kidder, Peabody & Co.

Indiana & Michigan Electric Co.
Jan. 27 it was announced company plans to sell around November, 1954, an issue of about $16,500,000 first mortgage bonds due 1984 and 40,000 shares of cumulative preferred stock (par $100). **Underwriter** — To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Union Securities Corp., Goldman, Sachs & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.; (2) for preferred—The First Boston Corp.; Smith, Barney & Co.; Lehman Brothers; Union Securities Corp.

• Inter-Mountain Telephone Co.
March 10 it was reported company in April, 1954, may offer to its common stockholders 142,500 additional shrs. of common stock on a 1-for-4 basis, subject to stockholders' approval on March 17 of an increase in the authorized number of shares. **Underwriter**—Courts & Co., Atlanta, Ga.

Jersey Central Power & Light Co.
Dec. 16 it was reported company tentatively plans to issue and sell in 1954 about $6,000,000 first mortgage bonds due 1984. **Proceeds** — For construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Glore, Forgan & Co.; Kidder, Peabody & Co.; Union Securities Corp., Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly). The First Boston Corp.: Lehman Brothers.

Kansas City Power & Light Co.
March 8 it was announced that company may issue and sell later in 1954 $16,000,000 first mortgage bonds. **Proceeds** — To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Harriman Ripley & Co., Inc., Equitable Securities Corp. **Meeting** — Stockholders will vote April 27 on approving new financing.

★ Kansas-Nebraska Natural Gas Co., Inc.
March 8 it was reported company plans to raise this year about $7,500,000 through sale of bonds and common stock. **Proceeds**—For expansion program. **Underwriters**—For bonds: Central Republic Co., Inc., Chicago. For stock: The First Trust Co. of Lincoln, Neb., and Cruttenden & Co., Chicago, Ill.

Koppers Co., Pittsburgh, Pa.
March 3 it was announced stockholders will vote March 29 on increasing the authorized common stock from 2,000,000 shares (1,867,125 shares outstanding) to 3,000,000 shares. There are no immediate plans to issue any of the additional stock. **Underwriter**—The First Boston Corp., New York.

Long Island Lighting Co.
March 4 it was announced company plans later this year to issue additional common stock and mortgage bonds to finance its construction program, which will require about $70,000,000 additional financing. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Smith, Barney & Co. Underwriters for common stock may be Blyth & Co., Inc., The First Boston Corp. and W. C. Langley & Co. and associates.

★ Long Island Lighting Co.
March 11 directors authorized the management to proceed with steps to refund the outstanding $20,000,000 of 5¼% preferred stock, series A and series C, when market conditions are deemed satisfactory. **Underwriters**—For new preferred issue: The First Boston Corp., W. C. Langley & Co. and Blyth & Co., Inc.

Louisville & Nashville RR.
Nov. 12 it was reported that the company may issue and sell an issue of bonds late in 1954. **Proceeds**—To retire $24,610,000 Atlanta, Knoxville & Cincinnati Division 4% bonds due May 1, 1955, and for general corporate purposes. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Salomon Bros. & Hutzler (jointly).

Metropolitan Edison Co.
Dec. 16 it was reported company may sell in 1954 about $3,500,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly).

Missouri Public Service Co.
Dec. 28 it was announced company plans to issue and sell $14,000,000 of common stock and borrow $18,000,000 from banks in connection with proposed acquisition of 1,500,000 shares of common stock of Gas Service Co. of Kansas City, Mo., at a total cost of $32,000,000. Following consummation of proposed merger of the two companies, it is planned to sell $9,000,000 of first mortgage bonds, $2,500,000 of debentures and 65,000 shares of preferred stock (par $100). **Proceeds** — To retire bank loans. **Underwriter**—For common stock (now in registration): Kidder, Peabody & Co.

★ Montana Power Co. (5/5)
March 15 it was announced company plans to issue and sell $18,000,000 of debentures to refund a like amount of 4⅝% debentures issued last May; $10,000,000 of first mortgage bonds and $6,000,000 of preferred stock to raise funds for new construction. **Underwriters** — For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., Smith, Barney & Co., Blyth & Co., Inc., and Union Securities Corp. (jointly); White, Weld & Co. **Bids**—Tentatively expected to be received on May 5.

New Jersey Bell Telephone Co. (5/4)
Feb. 19 the company petitioned the New Jersey P. U. Commission for permission to issue and sell in May $25,000,000 of first mortgage bonds and $75,000,000 of capital stock (the latter to American Telephone & Telegraph Co.). **Proceeds**—To finance construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; Shields & Co.; White, Weld & Co.; The First Boston Corp. **Bids**—Tentatively expected May 4.

New Jersey Power & Light Co.
Dec. 16 it was reported this company tentatively plans issue and sale in 1954 of about $3,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Equitable Securities Corp.; Union Securities Corp. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

New Orleans Public Service Inc.
Feb. 8 it was reported company plans to offer for sale $6,000,000 of first mortgage bonds due 1984 late this year. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co.

New York State Electric & Gas Corp.
Feb. 3 company sought authority from the New York P. S. Commission to sell an issue of $5,000,000 par value of preferred stock early this spring. It is also planned to issue and sell in the spring $20,000,000 of first mortgage bonds. Previous financing was done privately.

★ Northern Illinois Gas Co.
March 12 it was announced directors have authorized a public offering, subject to market conditions, of 400,000 shares of common stock about May 1. **Proceeds** — For construction program. **Underwriters**—The First Boston Corp. and Glore, Forgan & Co., both of New York.

Northern States Power Co. (Minn.)
Feb. 8 it was reported company is planning the issuance and sale of approximately $20,000,000 of first mortgage bonds due 1984 some time this year. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Riter & Co. (jointly); Smith, Barney & Co.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); Kuhn, Loeb & Co., A. C. Allyn & Co. Inc. and Wertheim & Co. (jointly).

Pennsylvania Glass Sand Corp.
Feb. 26 it was announced stockholders will vote April 27 on increasing the authorized common stock from 740,000 shares to 1,000,000 shares. No immediate plans to issue any of the additional stock have been announced. **Underwriters**—Harriman Ripley & Co. Inc., and Smith, Barney & Co., New York.

Public Service Co. of Colorado
Oct. 13 it was reported company is planning to float an issue of $15,000,000 first mortgage bonds, due 1984, early in 1954. **Proceeds** — For financing, in part, a $17,000,000 electric generating plant to be constructed in Denver, Colo. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Harris, Hall & Co. Inc.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly).

Public Service Electric & Gas Co.
Jan. 27, G. H. Blake, President, announced that a $50,000,000 financing program is expected in the Spring. The type of securities to be issued is still undetermined, but some form of debt financing is indicated. **Underwriters**—For any bonds will be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Lehman Brothers (jointly); The First Boston Corp. Previous public offering of common stock was handled by a group headed by Morgan Stanley & Co., Drexel & Co and Glore, Forgan & Co.

Riddle Airlines, Inc.
Jan. 7 it was reported company plans to file a letter of notification soon to issue an aggregate value of up to $300,000 of new securities. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

Scott Paper Co.
Feb. 23 it was announced stockholders will vote April 27 on increasing the authorized common stock from 5,000,000 to 10,000,000 shares and the authorized indebtedness of the company from $25,000,000 to $50,000,000. The company has no specific financing program. **Underwriters**—Previous offering of $24,952,800 3% convertible debentures, in September, 1953, was underwritten by Drexel & Co., Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Scudder Fund of Canada, Ltd.
Jan. 29 it was announced company intends to make an initial public offering of its common shares in the United States to realize at least $5,000,000.

South Carolina Generating Co.
March 1 it was reported this company, a subsidiary of South Carolina Electric & Gas Co., is planning to issue and sell $12,000,000 of bonds. **Proceeds**—To pay for new construction. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Kidder, Peabody & Co.; Union Securities Corp. Previous financing was done privately.

Southwestern Development Co.
Jan. 18 it was announced that Sinclair Oil Corp. will receive 769,722 shares of Pioneer Natural Gas Co. stock under plan of distribution of Southwestern's assets to be voted upon Feb. 15. **Underwriter**—Union Securities Corp., New York, underwrote sale of Sinclair's holdings in Colorado Interstate Gas Co.

Southwestern Gas & Electric Co.
Iarch 8 it was announced company plans to issue and ell in September, 1954, $10,000,000 first mortgage bonds. **roceeds**—To refund bank loan of $7,500,000 and for ew construction. **Underwriters**—To be determined by ompetitive bidding. Probable bidders: Halsey, Stuart : Co. Inc.; Equitable Securities Corp.; Lehman Brothers; lyth & Co., Inc.; Kuhn, Loeb & Co.; Merrill Lynch, ierce, Fenner & Beane and Union Securities Corp. jointly); Harriman Ripley & Co. Inc.; The First Boston orp.

Sutton (O. A.) Corp., Wichita, Kan.
'eb. 15 it was reported company may do some financing ater this year, either public or private. **Business**—Air irculating equipment, etc.

Temco Aircraft Corp.
Iarch 10 it was reported company does not plan any referred stock financing at this time, but registration s expected soon of 300,000 shares of common stock. **Proceeds** — To selling stockholders. **Underwriter** — Van lstyne, Noel & Co, New York. **Offering**—Expected in pril.

Tennessee Gas Transmission Co.
Jan. 27 it was reported company plans issuance and sale of $20,000,000 of debentures in April or May and $25,000,000 of first mortgage pipe line bonds in July. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

Texas Eastern Transmission Corp.
March 5 it was announced stockholders will vote April 27 on increasing the authorized common stock from 7,500,000 shares to 10,000,000 shares. **Underwriter**—Dillon, Read & Co. Inc., New York.

Texas & Pacific Ry. (3/24)
Bids will be received by the company up to noon (EST) on or about March 24 for the purchase from it of $1,240,000 equipment trust certificates due in 1-to-10 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomor Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

Toledo Edison Co.
March 3 it was announced stockholders will vote April 20 on increasing the authorized cumulative preferred stock from 300,000 shares to 500,000 shares. **Underwriters**—The First Boston Corp., New York, and Collin, Norton & Co., Toledo, Ohio.

Trans-Canada Pipe Lines, Ltd.
Jan. 11 it was reported this company and Western Pipe Lines, Ltd. will merge preliminary to the financing and construction of a 2,240 mile natural gas pipe line from the Alberta fields to Toronto, Ottawa and Montreal. **Underwriters**—Lehman Brothers; Wood, Gundy & Co. Inc.

Trip-Charge, Inc., Pittsburgh, Pa.
Jan. 20 it was announced company is increasing its capital stock in contemplation of an underwriting. **Proceeds**—For expansion program and working capital. **Office**—Fifth Avenue at Hamilton, Pittsburgh 6, Pa. **Meeting**—Stockholders will vote Feb. 23 on doubling present authorized capital stock.

Union Oil Co. of California
March 8 it was announced stockholders on April 13 will vote on increasing the authorized common stock from 7,500,000 shares to 15,000,000 shares. The company said it has no immediate plans to market the additional shares. **Underwriters**—Dillon, Read & Co., New York.

West Coast Telephone Co.
Feb. 6 it was announced California P. U. Commission has authorized company to issue 20,000 shares of common stock (par $25). **Proceeds**—To repay bank loans and for construction program. **Underwriter** — Blyth & Co., Inc., San Francisco, Calif.

West Coast Transmission Co.
Oct. 14 it was announced that company now plans to issue $29,000,000 in 1-to-5½-year serial notes; $71,000,000 in 20-year, first mortgage bonds; and $24,440,000 in subordinated long-term debentures and 4,100,000 shares of common stock to be sold to the public. **Proceeds**—To finance construction of a natural gas pipe line from the Canadian Peace River field to western Washington and Oregon. **Underwriter**—Eastman, Dillon & Co., New York

West Penn Power Co. (4/20)
Feb. 1 it was reported company plans to issue and sell $12,000,000 of first mortgage bonds, series P, due 1984. **Proceeds**—For construction program of West Penn Power Co. and its subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; W. C. Langley & Co.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc. **Registration** — Scheduled for March 26. **Bids**—Tentatively expected on April 20.

★ West Texas Utilities Co.
March 8 it was announced company plans to refund its $5,500,000 bank loan in the Spring of 1955 through the issuance and sale of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; Equitable Securities Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Kidder, Peabody & Co.; The First Boston Corp.

★ Western Pacific RR. Co.
March 10 company applied to the ICC for exemption from competitive bidding on its proposed $22,500,000 debenture issue. The 30-year 5% income securities, would be offered in exchange for 225,000 of $100 par preferred stock, of the more than 300,000 shares outstanding. The company plans to offer $100 of debentures, one-fifth of a share of common, and an undetermined cash payment for each share of preferred stock and then redeem the then remaining outstanding 83,211 shares of preferred stock.

York Corp. (4/14)
March, 1 it was reported company may issue and sell 220,000 additional shares of common stock and $18,000,000 of debentures. **Underwriters** — The First Boston Corp. and Kidder, Peabody & Co., of New York. **Meeting**—Stockholders to vote April 8 on increasing authorized common stock from 1,500,000 to 2,500,000 shares. **Registration**—Expected on March 25.

Murphy With C. S. Brown

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — George J. Murphy has become associated with C. S. Brown & Co., 1180 East 63rd Street, members of the Midwest Stock Exchange. Mr. Murphy was formerly with Central Republic Company.

Joins Carl McGlone

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Robert D. Lustgarten has joined the staff of Carl McGlone & Co., Inc., 105 South La Salle Street, members of the Midwest Stock Exchange.

E. F. Hutton Co. Adds

SAN FRANCISCO, Calif.— Richard J. Welch has become affiliated with E. F. Hutton & Company, 160 Montgomery Street.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Strange as it may seem, the Eisenhower Administration apparently has failed to give forth the true cost of farm price supports by many billions of dollars. The reason is perhaps the fact that the new "team" has failed to realize the total cost, rather than any desire to show farm income support less expensive than it really has been.

When Ezra Taft Benson, the Secretary of Agriculture, appeared before a House Committee in connection with the legislation to increase the "borrowing authority" of the Commodity Credit Corporation by $1,750 million to a total of $8.5 billion, he was asked what price support had cost CCC under 20 years of the program.

His reply was $1,226,238,583, a figure furnished by one of his subordinates. Congressional heads then wagged in self-righteousness—my what a small cost for 20 years of a program which has done so much good.

Mr. Benson's subordinate was giving an accurate but accounting answer. What this answer did not take into consideration is that under numerous programs the government has purchased surplus farm commodities and given them away for many reasons and purposes.

Thus, CCC has given forth of its stocks for, or purchased for the account of, lend-lease, the United Nations Relief and Rehabilitation Administration, the Economic Cooperation Administration, Greco-Turkish aid, Mutual Security, and also for the school lunch program and some food for the Army.

Altogether these global and domestic programs have taken $15.2 billion of farm commodities, a cost over and above the $1¼ billion accounted as a purely CCC cost of farm price supports.

A tremendous part of this $15 billion extra was a direct bail-out of CCC from its previous mountains of surpluses. Thus, at the beginning of World War II, CCC found itself overburdened with cotton, tobacco, and wheat. During the war these tremendous surpluses were given to the allies under lend-lease.

Gifts Repay CCC

Point is that when some of CCC's mountains of cotton or wheat were given to the allies, these commodities were paid for out of appropriations for lend-lease, UNRRA, ECA, MSA, and so on. Even sales of butter or other commodities for the school lunches were made out of separate funds. In each case CCC was reimbursed and made whole out of other appropriations.

CCC officials said that without considerable study they cannot determine precisely how many of their commodities were direct sales from stocks to the various foreign and domestic relief programs. However, even where CCC purchases were made for the account of these various other programs and hence were not strictly bail-outs, in a real sense these purchases were a direct contribution to, or had the effect of, both farm price and farm income support. For the most part these were extraordinary markets provided for with Federal funds, outlets for farm-commodities which would not have developed but for government.

So the true cost of farm price support for two decades is some figure up to $16½ billion, the sum of the technical loss sustained by CCC after the bail-outs and the total purchases of farm commodities made by or from CCC.

Included in this figure of $15.2 billion of purchases charged to other appropriations was $4.2 billion for wheat, and four other commodities none of whose total was as low as a billion dollars, or meats, other grains than wheat, dairy products, and eggs.

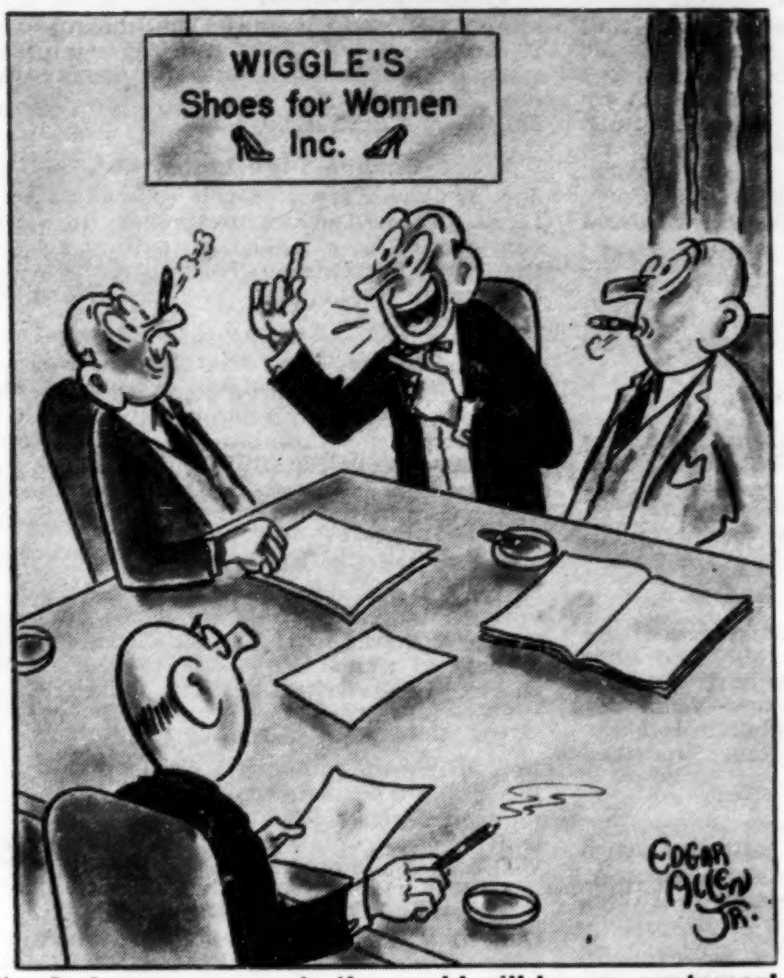
Want Closer Liaison

Even if President Eisenhower performs a veritable political miracle and persuades the House this week to kill the Democratic move to raise the exemptions under the personal income tax, and if he pulls another miracle and also convinces the Senate to forego this tempting morsel, it is the hope of GOP Congressmen and Senators that:

In the future the President and his Cabinet will learn to string along a little closer with the Republican members of Congress on the Hill.

They hope that Mr. Eisenhower's team will learn to decide to do things in concert with the Capitol, and not just according to the strategy of the amateur political tacticians in the White House, the Treasury, and other agencies.

BUSINESS BUZZ



"—And every woman in the world will be our customer! Just make a shoe small on the outside and big on the inside!"

Recall "Reed Bill"

Members are recalling last year and the "Reed Bill" which the Treasury and the White House jointly got killed.

Chairman Dan Reed (R., N. Y.) of the House Ways and Means Committee and his leading colleagues looked over the basic problem of the Eisenhower Administration at the beginning of 1953. They saw the precarious majority the GOP had in Congress. They knew that it wouldn't be very long that President Eisenhower would be calling the tune in such a close division as there is in Congress.

These members urged that so far as possible the question of tax reduction be got out of the way in 1953, and that as little as possible be left to 1954, a year in which the precarious hold of the GOP would be aggravated by the considerations of an election year.

Mr. Reed and his colleagues then proposed what in retrospect looks like a modest proposal in the light of the possibility that in the Senate if not in the House, both the fiscal and tax programs of the Eisenhower Administration will be wrecked.

They proposed that the 10-11% second personal income tax boost of 1951, due under the law to expire Dec. 31, 1953, be terminated June 30, 1953, the same time as the Excess Profits Tax.

No, no, a thousand times no, said Mr. Eisenhower, et. al., they were dedicated to balancing the budget and so insisted and got their way with an extension of EPT to Dec. 31, and killing the Reed bill.

It is, of course, by no means a certainty, but if the Reed bill had passed the House and Senate in 1953, the tax men might have limited the tax question this year to expiring rates of excise and corporation income taxation. This could have limited the losses to the $912 million of the pending excise tax bill, trading an extension of the corporation rate and the higher expiring excises for the reduction to 10% of other excises.

Say Cuts Inevitable

The advice that Messrs. Humphrey and his aides got was that the GOP political campaign made inevitable a tax cut and that the Eisenhower Administration might just as much make up its mind that it had to cut taxes as Mr. Humphrey had to make up his mind that his bold imaginative business venture in Canadian iron ore was going to pay out.

To the GOP tax leaders, the question was which was the easiest and the most painless way, and the least costly.

Where the Administration has fallen down on this tax situation and risked (if it has not already lost) its tax and fiscal programs is that it has failed to grasp that savvy about which way a Congress is going to go is something which cannot be learned by amateurs, and included among amateurs are officials who have served a couple of terms in Congress or served temporarily on the staff of some Congressional committee.

Another thing, Congressmen believe, that the Administration has failed to grasp, particularly the Treasury, is that men of the stripe of Mr. Reed are just as ardent for sound finance and a balanced budget as are men like Secretary Humphrey.

Then, too, members sense a feeling that too many of the successful business men come to think unconsciously of all Congressmen as "cheap politicians," never realizing the enormous and conflicting pressures to which Congressmen are put, and how they try to do their best in spite of this pressure.

Humphrey Popular

In spite of the disappointment of members of Congress with the outcome or possible outcome of the tax program, George Humphrey is still personally popular and respected by the men on Capitol Hill. They feel that he rings true and means well.

It is just that he fails to comprehend that Congressional politics is a matter for experienced judgment, even if a problem looks simple to the amateur. They point out that Mr. Humphrey would not hire a world's champion pool shooter to estimate Quebec-Labrador iron reserves or a veterinarian to engineer a railroad from the Gulf of St. Lawrence to those deposits.

As a Congressional strategist, however, he is in their way of thinking just a mule doctor, even if he would sit up all night to treat an ailing mule. The attitude of the members is that they hope that from now on horse doctors, so to speak, will not, without advice and counsel, be doctoring legislative problems.

So far, they note, Mr. Eisenhower's batting average against the Democrats in 1954 is just about 000, and even if there was only one vote in question, the Bricker amendment, his batting average against Republicans is at the moment 1,000.

Snyder Kept Liaison

John Snyder, Mr. Truman's Secretary of the Treasury, never thought of himself as a man of accomplishment like Mr. Humphrey. However, he maintained a constant and continuous and unpublicized liaison with Congress and never seriously got roughed up before any Congressional committee.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capitol and may or may not coincide with the "Chronicle's" own views.]